



CITY OF FAIRFAX, VIRGINIA ADOPTED BUDGET, 2009-10

City of Fairfax

Adopted Budget 2009-10

Mayor

Robert F. Lederer

City Council

Joan W. Cross

Daniel F. Drummond

Jeffrey C. Greenfield

David L. Meyer

Gary J. Rasmussen

Steven C. Stombres

City Manager

Robert L. Sisson



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Fairfax
Virginia

For the Fiscal Year Beginning

July 1, 2008

K. L. R. +
President

Jeffrey L. Esau
Executive Director

Table of Contents

	<u>Page</u>
City Manager's Transmittal Letter	IV
City Manager's Budget Message.....	A-1
Organizational Chart	B-2
Summary of Permanent Employees.....	B-3
City and County Contracts	B-4
Debt Ratios.....	B-5
Combined Statement of Revenues & Expenditures – All Funds	B-6
Estimated Fund Balance	B-7
General Fund Summary of Revenues and Expenditures	B-9
Expenditure by Object Code	B-10
Expenditure Summary by Cost Center.....	B-11
History of General Fund Expenditures	B-14
General Fund Revenue Summary.....	B-15
History of General Fund Revenues	B-20

General Fund

Legislative

City Council	C-4
City Clerk.....	C-6

Judicial Administration

General District Court.....	C-11
Joint Court Service	C-13
Juvenile and Domestic Relations Court	C-15
Court Services and Custody.....	C-17

Electoral Board

Electoral Board/General Registrar	C-20
---	------

General and Financial

City Manager	C-27
City Attorney.....	C-30
Public Audit of Accounts.....	C-33
Personnel	C-35
Community Relations	C-38
Marketing.....	C-41
Cable TV	C-44
Risk Management	C-47
Telephone	C-49
Information Technology.....	C-51
Printing and Office Supplies	C-54
Fleet Maintenance.....	C-56
Finance and Accounting.....	C-59
Real Estate Assessment	C-62
Treasurer	C-65
Commissioner of Revenue	C-68
Retirement Expenses/Pool Maintenance	C-71

Table of Contents (continued)

Police Department

Police Administration	C-75
Police Technical Services	C-78
Police Field Operations	C-81

Fire and Rescue

Fire and Rescue Administration	C-86
Fire Operations.....	C-89
Code Administration	C-93

Public Works

Asphalt Maintenance	C-99
Concrete Maintenance	C-102
Snow and Ice Control	C-105
Storm Drainage	C-107
Signs, Signals, Lighting	C-110
Refuse Collection	C-113
Facilities Maintenance.....	C-116
Street Right-of-Way and Public Grounds	C-119
Public Works Administration & Engineering.....	C-122
County Agent	C-125

Social Services

Health Department	C-129
Commission for Women	C-132
Community Services Board.....	C-134
Senior Citizen Tax & Rent Relief.....	C-137
Human Services Coordinator	C-139
Social Services.....	C-141

Culture and Recreation

Recreation Administration	C-146
Recreation-Special Events	C-151
Facility Division (formerly Old Town Hall).....	C-154
Park and Ballfield Maintenance.....	C-156
Library Services.....	C-160
Historic Resources	C-163
Visual and Performing Arts.....	C-168

Community Development and Planning

Planning and Design Review	C-173
Current Planning	C-176
Economic Development	C-179

FY 2010 Adopted Budget – City of Fairfax, Virginia

Table of Contents (continued)

Education

School Board/Administration	C-185
Contracted Instruction Costs	C-187
Fixed Charges	C-189
School Capital Outlay	C-191
School Debt Service	C-193
School Lease Financing	C-195

Non-Departmental Accounts

General Debt Service	C-199
Employee Fringe Benefits	C-201
Market Wage Adjustment/Salary Vacancy	C-203
Reserve for Contingency	C-205
Regional Agencies	C-207
Capital Budget Fund Transfer	C-209
Transit Fund Transfer	C-211
Other Fund Transfers	C-213
Capital Leases	C-215
Detailed General Fund Expenditures	C-217

Enterprise Funds

Sewer Fund	D-1
Water Fund	D-14
Transit Fund	E-1

Capital Improvement Program – FY 2010 – FY 2014

CIP Introduction	F-3
CIP Summary	F-5
Capital Projects Detail	F-12

Stormwater Fund

G-1

Cable Grant Fund

G-4

Open Space Acquisition Fund

G-7

Old Town Service District

G-10

Commercial Real Estate Transportation Tax Fund

G-13

Supporting Detail

Debt Service Schedules	H-2
Capital Lease Schedules	H-7
Expenditure Object Classification	H-17
Position Classification Plan – General	H-21
Basic Salary Schedule – General	H-25
Position Classification Plan – Police	H-28
Basic Salary Schedule – Police	H-29
Position Classification Plan – Fire	H-31
Basic Salary Schedule – Fire	H-32

Glossary

I-1

The City of Fairfax

Office of the City Manager



March 10, 2009

The Honorable Robert F. Lederer
and Members of the City Council
City of Fairfax
Fairfax, Virginia

Re: City Manager's Recommended FY09-10 Budget Transmittal Message

Dear Mayor Lederer and Members of the City Council:

As required by the City of Fairfax Charter, I am pleased to submit for your review the proposed 2010 fiscal year budget.

The proposed budget addresses and incorporates the direction given by the Mayor and City Council in the annually adopted Budget Guidelines. Further, the proposed budget adheres to the adopted City of Fairfax Fiscal Policies adopted by City Council (revised) in November 2008.

The proposed budget decreases total General Fund spending by 4.1% or \$5.5M under the FY09 approved budget. Total General Fund spending is forecast to be \$111,246,478. Total expenses for all funds is projected at \$127,363,024 or a decrease of 1.1% from FY09.

The recession that has gripped the U.S. economy for the past 15 months has had a dramatic effect upon the City's financial outlook. Losses in current (FY09) revenue from multiple sources required the City Council, with the benefit of recommendations from the recently created Budget Committee, to impose two budget adjustments, thus far, in FY09 to rebalance expenditures with revenues.

A continued dismal financial forecast prompted a thorough review of City spending both in current year and in FY10 budget planning discussions. No area of City revenues or expenses have been overlooked in an effort to do the necessary restructuring to insure the City's core services were maintained.

The City has been fortunate, thus far, in that its real estate tax base, the single largest revenue source in the City, has been less adversely impacted than some of its sister jurisdictions in Northern Virginia. The real estate tax base is projected to decline in value 4.9%. The two components of the real estate tax base, commercial and residential, will see an increase of 1.5% and a decline of 9.7% respectively.

Other jurisdictions have felt a lesser or greater impact with regard to their real estate tax base decline and, for the first time in many years, there is significant variation in the recommended real estate

City Hall • Fairfax, Virginia 22030-3630 • (703) 385-7850 • FAX (703) 385-7811

TTY (703) 385-7855 • Internet: <http://www.fairfaxva.gov>

Printed on recycled paper

tax rates amongst other Northern Virginia jurisdictions, ranging in some areas from an increase of 35 cents to an increase of only 2-3 cents.

After a thorough review of anticipated revenues and expenses for FY10; after reducing various departmental expenses to a level below which would impact services too severely; after recommending other revenue enhancements for permits and fees, there still remained a significant shortfall. Therefore we have recommended a real estate tax increase to 93.5 cents, up from 79 cents or 14.5 cents. (Note: Revisions to the BPOL tax estimates provided by the Commissioner of the Revenue should enable a reduction in the proposed real estate tax rate of approximately 2 cents, down to 12.5 cents. This adjustment was not available in time to be included in the attached Budget materials.) It is particularly difficult to suggest a real estate rate increase during these times, however, the unprecedented number of budget challenges (historically high debt payments, substantial losses in many revenue sources) have left no other reasonable alternatives.

Other major sources of revenue that declined in FY09 are projected to continue their decline in FY10. Personal property tax, sales tax, BPOL licenses, indeed most all of the major sources of City revenue, are reflecting downward trends. Of particular note is the sales tax, which notes a decline of \$4.2M decline from FY08 to FY09. This is due in part to the overall decline in purchasing, however, \$1.5M of the loss is to repay Fairfax County for the erroneous receipt of sales tax monies by the City due to the County.

The budget reductions related to personnel expenses being proposed to the City Council are unprecedented in the history of the City. The budget proposes cuts in FY10 equaling \$3.4M in the areas of:

1. Reduction of 16.5 full time positions
2. Elimination of market adjustment (COLA)
3. Elimination of merit steps
4. Removal of two holidays
5. Elimination of part time, temporary and future undesignated positions equaling an additional 12 positions
6. Elimination of Educational Assistance, Employee Incentive Awards
7. Elimination of the Executive Pay Plan authorized by City Council in FY09 but not implemented

In addition to personnel related cuts, reductions totaling \$1.4M were made bringing the total reductions in the General fund to \$4.8M.

Given the scale of these personnel expense cutbacks, some services will necessarily be impacted and the City's legendary responsiveness will suffer, perhaps noticeably. Our focus has been to eliminate frozen positions without having to terminate the currently employed. In most cases, we have been able to do this. An additional \$.5M in undesignated personnel savings has been budgeted to further underscore the staff's commitment to continued evaluation of each open position as an opportunity to restructure, reassign or eliminate positions.

The City's capital improvement program has been reduced to \$1.8M for that portion funded from the General Fund. This amount is inadequate and continued funding at this level will ultimately negatively impact our infrastructure. The City's debt service amortization reflects payment for major capital investment (FY10 level at \$14M, over 12% of the General Fund expenditures) however the smaller pay-as-you-go projects must not be ignored and additional funding must be supported via the CIP in the future.

The City School Board has completed a total renovation of Fairfax High School and Lanier Middle School, and concurrent with repayment of that bonded debt, it is likely the smaller-scope CIP needs of the elementary schools will reappear beginning in 2011 and beyond, placing added pressure on already insufficient annually funded CIP resources.

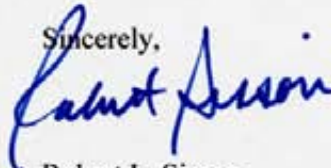
The Water and Sewer Enterprise funds will continue to need substantial new revenue via rate hikes, for the foreseeable future. The City's water and sewer systems require constant and costly reinvestment and rates will face upward pressure, to meet the recently catalogued capital needs of the systems. The recently announced upgrades to the County's wastewater treatment, where the City's sewage is treated, will cost the City approximately \$22M, perhaps less due to the possible reduced scope of the improvements and the potential of receiving stimulus program monies. Double digit increases in the sewer utility rates may be the norm for several years.

The largest expenditures by function in the City are for education. The School Board request is for \$48.9M, a decrease of .4% since FY09. We are hopeful that, once the Fairfax County budget is approved for FY10, there will be additional reductions possible in the proposed School Board request which can then provide some relief for the recommended real estate tax rate.

There are numerous sacrifices contained in this budget. We have endeavored to continue to provide existing services as much as possible. After many hours of discussions with City Council and the Budget Committee there seemed to be support for an incremental approach to reducing services rather than wholesale elimination of specific services. So that is the approach we have taken. What results is a leaner, hopefully more efficient organization; one that can emerge more resilient when the current economy rebounds.

The City Staff and I look forward to productive discussions with the City Council as we make decisions for the betterment of the City in 2010 and beyond.

Sincerely,



Robert L. Sisson
City Manager

sjc

City Manager's

Budget Message

FY 2010 Adopted Budget

April 28, 2009

FY 2010 Adopted Budget Highlights

- **Expenditures for all funds** total \$126,501,147 a decrease of 1.8 percent over FY 2009
- **General Fund expenditures** of \$110,336,397 a decrease of 4.9 percent over FY 2009
- **General Fund revenues** of \$110,336,397 a decrease of 5.5 percent over FY 2009
- **Capital Fund expenditures** for General Fund supported projects of \$2,190,000 representing 2 percent of General Fund expenditures
- **Adopted real estate tax rate \$.88 per \$100 of assessed value**, an increase of \$.09 from the FY 2009 Adopted Rate of \$.79; average residential tax bill to remain level from prior year
- Real estate residential assessments decrease an average of 9.7 percent for CY 2009; Commercial assessments increase an average of 1.5 percent (both exclude new construction totaling \$26.3 million)
- **Assessed value** of all real property equal to \$5,359,097,100 which is a decrease of \$278,694,900 or 4.9 percent (includes new construction of \$26.3 million)
- **One cent on the real property tax rate** is equivalent to **\$532,500**
- Market adjustment of 1.75% effective July 1st; No merit / step increases for employees
- Net Reduction in personnel of 7.5 Full Time Equivalents (FTE's); additional 3 FTE's (Police Officers) for Police Department to meet staffing challenges associated with future retirements
- Increase in the Decal Fee from \$25 to \$33; no change in Personal Property Tax Rate
- Reduce the Business Improvement District (BID) tax from \$.01 to \$0 per \$100 of assessed value
- Establishes commercial and industrial real estate tax rate at \$.08 per \$100 of assessed value to fund new transportation improvements; revised commercial and industrial tax bill of \$.96 per \$100 of assessed value
- Senior Citizen Tax and Rent Relief Program change – reduce maximum income limit eligibility from \$72,000 to \$52,000
- **Water and Sewer** service rates increase **10 percent** due to increased operating costs, a significant number of capital projects, and additional debt service costs relating to the city's share of Fairfax County wastewater plant upgrades, where the city's sewage is treated.
- **General Fund balance** at **11.1** percent of General Fund expenditures

Guide to the Budget Document

OVERVIEW

The City's budget is the blueprint for financial and policy decisions implemented during each fiscal year. The budget is the single most important document we have for establishing control over the direction of change and determining the future. It lays the groundwork for what we hope will be our community's accomplishments in the future. Within the pages of the document, the reader will find:

- A fiscal plan
- Revenue and expenditure summaries
- Policy statement
- Goals and objectives
- An annual operating program
- A long range planning guide
- A management tool to ensure financial control
- Performance measures to ensure accountability and evaluate performance

Not all narratives will contain each of these components, but rather only those that are applicable.

BUDGET PREPARATION PROCESS

The development of the City's Operating Budget involves three phases: formulating budget requests, City Manager executive review and proposal, and City Council review and adoption. Each of the three phases is summarized as follows:

Formulating Budget Requests: September - December

- The formative stage of every budget begins in the fall.
- Work with the City's Budget Committee throughout the entire budget process
- City Council sets guidelines for the budget in November, which provides the framework for developing the new budget. In addition, the City Manager briefs the City Council on the financial summary of the previous fiscal year, and a projection of the current as well as upcoming fiscal year.
- City agencies assess their budgetary needs and submit requests to the Budget Committee. Requests are typically due in the middle of December.

- Revenue estimates are derived from a review of current and projected economic indicators, current and proposed Federal and State legislation, knowledge of future events in the City and a review of historic trends.

City Manager Executive Review and Proposal: December - March

- Requests from departments are reviewed and evaluated for priority.
- Meetings are held between the Agencies and Budget Committee to discuss budget requests. Based on estimated revenues, funding is requested by the City Manager for the programs and services required to maintain an essential level of service or to provide for enhancements to programs identified by City Council.
- City Manager proposes budget to City Council second Tuesday of March
- By law, local government budgets must be balanced; i.e., expenditures may not exceed revenues.

City Council Review and Adoption: March - April

- City agencies provide department budget presentations.
- City Council advertises the proposed real estate tax rate (mid to late March)
- Council reviews the proposed budget and a minimum of two public hearings are held to provide the public with an opportunity to comment to ensure the budget is responsive to citizen needs.
- After careful deliberation, the proposed budget, as modified for additions and deletions, is enacted by City Council as the adopted budget. In addition, City Council adopts the real estate tax rate, all other rates and levies, and the budget appropriation resolution.
- The budget can only be amended by the City Council after proper notice and a public hearing.
- The Adopted Operating Budget takes effect on July 1, the beginning of the fiscal year.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit estimates, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the Planning Commission for public hearing and evaluation. The Planning Commission holds a public hearing on the CIP and issues a memorandum to the City Council with recommendations and suggestions. The City Council holds a least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources. A capital budget (the first year of the proposed CIP) is included in the operating budget—together they become the proposed budget. The CIP is a separate budget document that contains all detailed project and budgetary information for the full five year period.

BUDGET REVIEW SCHEDULE

The following dates were/are scheduled for City Council review and approval of the budget.

Date	Subject
October 22, 2008	Budget Instructions sent to Agencies
November 21, 2008	Budget Requests due from Agencies
December 1, 2008	Planning Commission Review of CIP
December 8, 2008	Planning Commission Public Hearing and Action on CIP
January 12 -16 , 2009	Agency Budget Meetings
March 10, 2009	Work Session – City Manager Presentation of Proposed Budget
March 16, 2009	Public Outreach Meeting
March 17, 2009	Work Session - Staff Presentations
March 18,2009	Work Session - Staff Presentations
March 24, 2009	City Council Meeting – Consider Real Estate Tax Rate to be Advertised* & Work Session – FY 2010 Budget
March 31, 2009	Public Outreach Meeting / Work Session
April 7, 2009	City Council Work Session – Discussion of FY 2010 Budget
April 14, 2009	City Council Meeting – Public Hearing on Real Estate Tax Rate & Work Session – FY 2010 Budget
April 28, 2009	City Council Meeting - Budget Adoption
July 1, 2009	Publish FY 2010 Operating and Capital Budget

* future years may need to have 30 days prior to public hearing on real estate tax rate.

ORGANIZATION OF THE BUDGET

The City's financial operations are budgeted and accounted for in a number of funds. Fiduciary funds (i.e. City retirement funds) are not included. A fund is a separate accounting unit. All of the following funds are adopted (through appropriation resolutions) and included in the budget book as part of the City's annual budget review:

General Fund — Used to account for all general operating expenditures and revenues, this is the City's largest fund. Revenues in the general fund primarily are from property taxes, sales tax, the business license tax and State aid.

Capital Fund — Each year, the City adopts a five-year Capital Improvement Program (CIP) that serves as a blueprint for the long-term physical improvements the City wishes to make. The Capital Fund is funded through a transfer from the general, water and sewer funds, State aid and bond issues. The current year CIP is included as part of the annual budget.

Stormwater Fund — This fund was established to carry out major stormwater projects. It is funded on an as-needed basis, but has no guaranteed set-aside funding each year. This is a separate Capital Fund.

Cable Grant Fund — This fund receives its revenue from a 3 percent cable television fee. The revenue can only be used for cable television equipment. This is a separate Capital Fund.

Open Space Fund — The open space fund was established to fund acquisition of open space and parkland in the City. It was funded on an annual basis by up to five cents on the real estate tax rate for a five year period ending in FY 2006. This is a separate Capital Fund and is scheduled to be phased out as revenues are no longer collected.

Old Town Service District Fund — This fund was established to fund the costs of the proposed Old Town development projects. Old Town Service District special assessment taxes are transferred into this fund in accordance with City Council Ordinance. This is a separate Capital Fund.

Utility Funds — Sewer and water services are accounted for in the utility funds. The sewer fund and water fund are enterprise funds. Enterprise funds are those funds in which the cost of providing goods or services is financed primarily through user charges.

Transit Fund — The transit fund is used to account for operations of the City's CUE bus system. While set up as an enterprise fund, a transfer of money from the general fund into the transit fund covers a portion of the expenses of this fund.

BUDGETARY BASIS

The budgets of the general and capital funds (including Stormwater, Open Space, Old Town Service District and Cable Grant) utilize the modified accrual basis of accounting under which revenues are recorded when measurable and available to finance operations during the year. Expenditures, except for interest, are recorded when the liability is incurred. Interest is recorded when due. Budgets of the utility funds and transit fund utilize the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred. The budget basis of accounting does not materially differ from that used for financial reporting (all funds), with the notable exceptions of depreciation and amortization, and debt service reporting in the enterprise funds, which are more appropriately illustrated in the City's Comprehensive Annual Financial Report (CAFR).

City Council's Goals 2008-2010

Council Goal #1: Residential Rejuvenation

Background: The City of Fairfax was recently ranked by Forbes as the third best place to live in the Country. The City is proud of this accolade based on the quality of services provided to the citizens, and the significant investments made to its schools, parks, public buildings, and land purchases as part of open space preservation. However, the City does maintain an aging residential housing stock. The City continues to invest in the Renaissance Housing Corporation whose programs include many exciting new initiatives along with the best of the existing programs to aid homeowners. The Neighborhood Renaissance Services are designed to help homeowners plan and complete their home improvement projects. The City of Fairfax is also taking on additional activities that will improve the quality of residential life.

Coordinating Agencies: City Manager's Office, Economic Development, Community Development & Planning, and Public Works.

Council Goal #2: Stabilize and Promote Downtown Redevelopment

Background: Construction of the Old Town Plaza redevelopment project in downtown Fairfax is complete. Many new businesses have moved in with others finishing their build-outs. Additionally, the project included a 558 space parking structure, as well as the new 45,000 square foot City of Fairfax Regional Library. It is the expectation that this redevelopment will be a catalyst for the potential revitalization of several other properties in Old Town Fairfax. The area also uses civic engagement, arts resources and leveraged partnerships, such as George Mason University, to advance the commercial viability and vitality of Old Town. Planning for other under-utilized properties in the downtown continues to evolve, understanding that, enriched by the presence of artists, arts and historic organizations, the downtown will continue to attract visitors and residents and, as the economy strengthens, will bring commercial and business owners into the community.

Coordinating Agencies: City Manager's Office, Economic Development, Community Development & Planning, and Public Works.

City Council's Goals 2008-2010 Continued

Council Goal #3: Community Center

Background: With an active and growing community, the City of Fairfax has long recognized the need for a dedicated community center — and a generous longtime city resident has helped make it a reality. The city currently is in the planning stages for the community center, whose construction was launched with a \$5 million grant from Geraldine “Gerry” Sherwood. The community center, which would be named after the Sherwood family, is planned to be located at Van Dyck Park. The building is expected to be about 12,300 square feet and would host youth and adult recreation programs, cultural activities and arts-related activities, including rehearsals. The design stage should be finished by the end of 2008, and construction is expected to begin soon after that. The center should be open for community use by the end of 2010.

Coordinating Agencies: City Manager's Office, Parks and Recreation, and Community Development and Planning, and Public Works.

Council Goal #4: Fairfax Boulevard Redevelopment

Background: The Route 50/29 Corridor is the city's economic engine, providing nearly 40 percent of all tax revenues generated from the community. Now known as Fairfax Boulevard, the City, in partnership with the Business Improvement District, the Economic Development Authority and the Planning Commission, is aggressively pursuing multiple redevelopment opportunities. A newly created vision for the corridor provided by the Fairfax Boulevard Master Plan identifies three main commercial centers prime for redevelopment. These primary commercial centers are Fairfax Circle at the eastern most point of the corridor, Northfax Gateway at the intersection of Chain Bridge Road (Route 123) and Fairfax Boulevard (Route 50) and Kamp Washington at the intersection of Fairfax Boulevard (Route 50) and Lee Highway (Route 29) and to include Jermantown Road, at the western portion of the corridor.

Coordinating Agencies: City Manager's Office, Economic Development, Community Development & Planning, and Public Works.

Council Adopted Financial Policies

To establish and document a policy framework for fiscal decision-making and to strengthen the financial management of the City, in April 2000, the City Council initially enacted a comprehensive set of Financial Policies, as detailed below. The goal of these policies is to ensure that financial resources are well managed and available to meet the present and future needs of the citizens of the City of Fairfax. Revisions to the financial policies were incorporated per recommendations by the Budget Committee and approved by the City Council in November of 2008.

Budgeting Policies:

1. The City's annual operating budget, capital budget and Capital Improvement Program (CIP) shall be coordinated with, and shall be in concert with, the City's Comprehensive Plan.
2. The City shall adhere to the following guidelines in preparing, implementing and executing the annual budget:
 - a. Mayor and City Council shall develop general budget guidelines and provide them to the City Manager by November 15.
 - b. The Capital Improvement Program shall be considered by the City Council prior to its consideration of the annual budget.
 - c. Where appropriate, revenues related to expenditures shall be reflected in the budget documents.
 - d. The Mayor and City Council shall meet with selected boards and commissions in work sessions as part of the budget deliberations to review budget items concerning areas of interest to the boards and commissions.
 - e. The Mayor and City Council shall conduct a quarterly review of the implementation of the budget.
3. Budgeted current revenues must be greater than budgeted current expenditures.
 - a. Significant one-time revenues shall be used only for one-time expenditures.
 - b. Revenues must be increased or expenditures decreased, in the same fiscal year, if deficits appear.
4. The target for the General Fund transfer to the Capital Fund shall be at least 5 percent of General Fund expenditures to help insure adequate reinvestment in capital plant and equipment. This transfer percentage incorporates the City's use of annual debt service payments toward capital projects.
5. The City shall set utility rates for the Water and Sewer funds that will ensure industry-standard operation of the enterprise functions.

Reserve Policies:

1. The target for the General Fund balance shall be, at minimum, approximately 10 percent of General Fund expenditures.

Debt Policies:

1. Debt Service Targets
 - a. Annual debt service expenditures shall be less than 9 percent of annual expenditures.
 - b. Outstanding Debt shall be less than 3 percent of assessed valuation.
2. The term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

Revenue/Cash Management Policies:

1. The City shall develop an aggressive economic development effort in order to lessen the impact of any future real estate rate increases.
2. The City shall maintain a diversified revenue base in order to shelter City finances from short-term fluctuations in any single revenue.
3. Annual City revenues shall be projected by an objective and thorough analytical process.
4. The City shall deposit all funds within 24 hours of receipt.
5. Investment of City funds shall emphasize the preservation of principal with safety, liquidity and yield being the primary factors considered.

Accounting/Auditing and Financial Reporting Policies:

1. The City shall take necessary action to ensure receipt of the Government Finance Officers Association annual accreditation for the budget and for the comprehensive annual financial report (audit).
2. An independent audit shall be performed annually and a management letter shall be received by City Council. City administration shall prepare a response to the management letter on a timely basis to resolve any issues contained in the letter.

Council Adopted Budget Guidelines

Revisions to the Budget Guidelines were incorporated per recommendations by the Budget Committee and approved by the City Council in November of 2008.

- Continually review City government programs and operations to achieve the most efficient and effective delivery of community services possible. Current programs should be evaluated and new programs should not be added.
- Projected revenues must equal or exceed proposed expenditures.
- Maintain a General Fund balance equal to approximately 10 percent of the general fund expenditures in conformance with the City Council financial policy.
- Maintain the General Fund CIP transfer at the City Council financial policy level of approximately 5 percent of proposed expenditures. This transfer percentage incorporates the City's use of annual debt service payments toward capital projects.
- No additional personnel unless it would result in a net reduction in anticipated City expenditures, or a net gain City revenues.
- As vacancies occur, all positions to be evaluated against current needs and priorities.
- Consider a fair and affordable market adjustment for employees to retain parity with other local governments and if the economic environment allows.

Community Profile

City Government

Date of Incorporation	1799
Date of City Charter	1961
Form of Government	Council—Manager
City Employees	420.05

Physiographic

Land Area - Square Miles	6.28
Acres of Public Parks & Open Space	188
Paved – Lane Miles	169
Sidewalks	87

Utilities

Telephone	Verizon
Electric	Dominion Virginia Power
Gas	Washington Gas
Water	City of Fairfax
Sewer	City of Fairfax
Cable	COX Cable / Verizon

Economic Indicators

Largest Private Employers (December 2008)

Fairfax Nursing Center
Commonwealth Care Center
Home Depot
The Wackenhut Corporation
Fairfax Volkswagen/Honda
WR Systems Ltd.

Largest Public Employers (December 2008)

City of Fairfax
Dominion Virginia Power
Federal Technology Services
United States Postal Services
Fairfax County

Taxes

Real Estate Tax Rate

FY 2010: \$.88 per \$100 assessed value
FY 2009: \$.79 per \$100 assessed value

Personal Property Tax Rate

FY 2010: \$.413 per \$100 assessed value
(no change over FY 2009)

City Finances – Bond Ratings

Moody's Investors Service, Inc	Aa1
Standard & Poor's	AA+

Population

2000 U.S. Census	21,498
1990 U.S. Census	19,622

Households

2005 Estimate	8,655
2000 U.S. Census	8,035
1990 U.S. Census	7,362

Average Household Size

2006 Estimate	2.61 persons
2000 U.S. Census	2.61 persons

Age (2000 population)

(1-19)	4,853
(20-34)	5,117
(35-64)	8,775
(64 +)	2,753

Race and Ethnicity (2000 Census)

White (Non-Hispanic)	72.9%
African American	5.1%
Hispanic (all races)	13.6%
Asian & Pacific Islander	12.2%
American Indian and Alaskan Native	0.4%
Total*	100%

*Percentage column does not sum due to rounding

Source: U.S. Census Bureau 2000 Census

Unemployment

	Dec. 2007	Dec. 2008
City of Fairfax	2.4	4.1
Virginia	3.0	5.2
United States	4.6	7.1

Tourism

	Dec. 2007	Dec. 2008
Number of Hotel / Motel Rooms	569	569
Occupancy Rate	75%	68%
Average Daily Rate	\$95	\$89

Vacancy Rates

	FY 2007	FY 2008
Office Space	7.25%	9.5%
Retail Space	1.5%	5.0%
Industrial	.2%	.2%

City of Fairfax Employment by Industry

The largest major industry sector was Professional, Scientific & Technical Service with 19.8 % of the employment followed by Retail Trade with 17.7%, Health Care and Social Assistance with 12% percent and Accommodation and Food Services with 9%. The following is a listing of major industries and the number employed in those sectors for 2008 in the City of Fairfax.

Industry Group	Employees
Professional, Scientific & Technical Services	4,104
Retail Trade	3,670
Health Care and Social Assistance	2,480
Accommodation and Food Services	1,853
Public Administration	1,614
Administrative and Waste Services	1,497
Construction	1,037
Finance and Insurance	942
Other Services (Except Public Administration)	887
Information	706
Education Services	446
Wholesale Trade	302
Real Estate and Rental/Leasing	203
Manufacturing	194
Arts, Entertainment and Recreation	193
Management of Companies and Enterprises	150
Transportation and Warehousing	98

Source: Virginia Employment Commission,
Quarterly Census of Employment and Wages, Second Quarter 2008

Economic Assumptions

The underlying economic assumptions in this budget are:

- **Increase** in commercial assessments of 1.5 percent; residential assessments decreasing 9.7 percent
- Regional **slowdown** in economy
- **Decreased interest** earned on investments with lower interest rates; spend down of bond funds temporarily held for investments
- State/Federal funding projected to **decrease** based on slowdown in economy; one time education stimulus funds included
- **County contracts** for judicial, social services, fire and rescue, refuse disposal to decrease **.87 percent** and **9.3 percent** decrease for schools
- **Significant reduction in personnel**; some reduction in levels of service
- **No boundary changes** anticipated

Economic Condition and Outlook

A diversified economy is generally more resilient and more stable than one that is heavily concentrated in one or two areas. The City of Fairfax is in a particularly favorable position because its own local economy is relatively diverse (as indicated in the Virginia Employment Commission Quarterly Census of Employment and Wages report shown below), and it benefits from its location as part of the Greater Washington region and from the current priorities in federal spending.

In previous downturns the Greater Washington region and more specifically the City of Fairfax have been immune to the effects of a struggling national economy. However, the current downturn has proven different and has resulted in many large government contracting firms filing for bankruptcy or selling under current economic pressures. Concurrently, small businesses which are the lifeblood of the City's economy, are struggling to stay in business amidst a sharp decline for goods and services.

The current situation is being referred to as a broad-based, nationwide financial crisis in which no industry is immune. While the region's economy remains considerably stronger than the rest of the nation, the fact is in recent years the region's private sector has grown at a faster rate than the federal government. This diversity is good for the local economy in times of expansion, but causes increased distress in times of retraction.

Local reports cite that with area consumers are financially stressed, all types of businesses are cutting back on production and services which leads to reductions in workforce creating an increased cycle of decline.

Federal Indicators

Federal spending in the Washington region continues to increase. These spending increases are in two primary sectors: (i) outsourcing for technology and professional services and (ii) managerial services to support global security systems. Businesses that serve these needs continue to move into the City and the Northern Virginia region.

By regional economic analysis and reports, federal spending in the Washington region accounts for about one-third of the gross regional product (the value of goods and services produced locally). While the net number of civil service jobs remains steady when contract and grant related jobs are included, the number of jobs increases significantly. According to the Metropolitan Washington Council of Governments, 77 percent of City residents work in businesses located outside the City. Therefore, the actions of the federal government have both direct and indirect impacts on the local economy. The effects of federal spending are seen in everything from direct consumer spending to business investment, job growth and employment. The local impact of the recently approved federal stimulus package has yet to be felt.

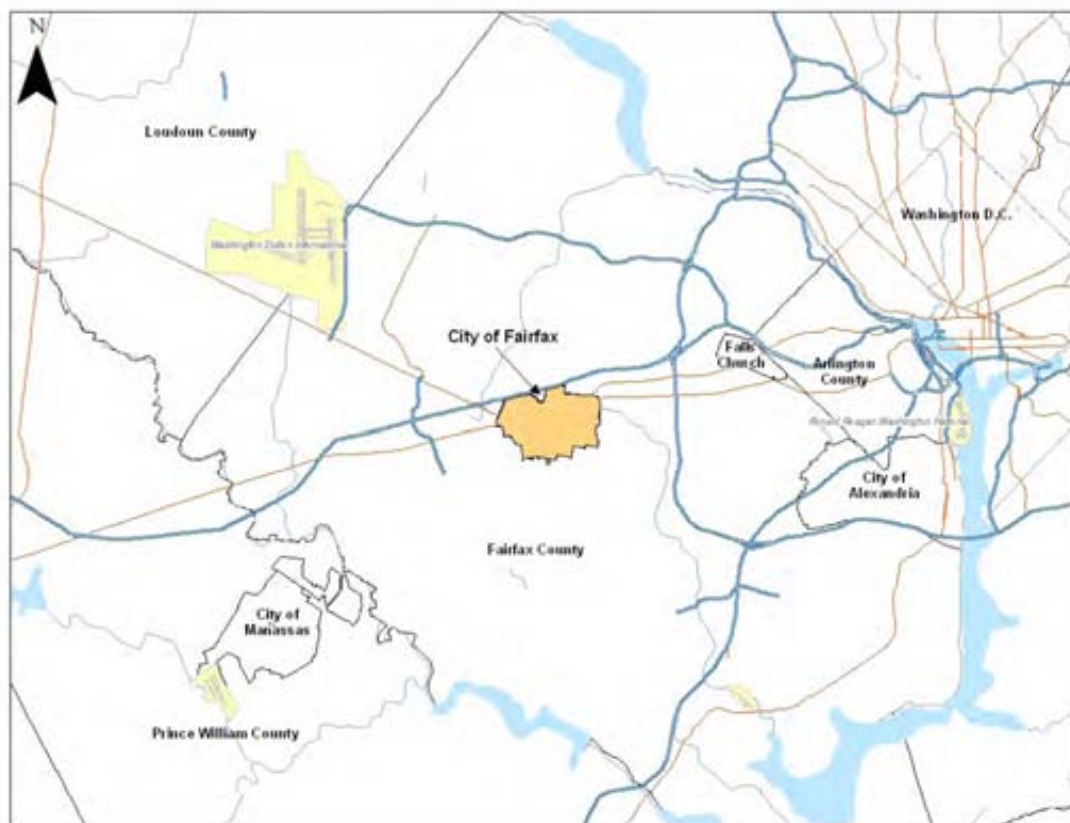
State Indicators

The City also is significantly impacted by state actions. Northern Virginia has long contributed the state's coffers from its economic bounty, yet until recently the region's political clout has never reflected its economic strength. With the current shortfall in State revenues, the lack of additional resources for transportation in the Commonwealth remains as the area's top priority. Without the ability for products to reach national and global markets, Northern Virginia will lose its competitive advantage.

Increased congestion, the related environmental impacts in addition to a high-cost of living is making many Northern Virginia communities less desirable for families and is stifling workforce productivity. Virginia needs to provide additional funding for transportation to support economic growth in Northern Virginia. While local governments also have a role in transportation, transfers of responsibility will not occur without additional funding.

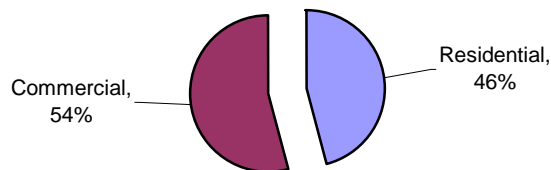
Local Economy

An independent jurisdiction of 6.28 square miles, 15 miles west of Washington, D.C., the City of Fairfax lies in the heart of the Northern Virginia area. Bounded by Interstate 66 on the north and less than five miles west of the Capital Beltway, the City of Fairfax is at the crossroads of Northern Virginia's major north/south and east/west highways. Fairfax's neighbors include the Vienna/Fairfax GMU station of the Metro regional rapid-rail system, and, at the southern boundary of the City, George Mason University. The City is within 30 minutes of both Dulles International Airport and Reagan Washington National Airport.



The city provides the high-level services that Northern Virginians expect. With a population of 23,700 (as of 6/30/08), the city offers good government, low taxes and a strong feeling of community pride. The residential tax burdens is one of the lowest in Northern Virginia with a real property tax rate of \$.88 and a personal property tax rate of \$4.13. For businesses, the same advantage is offered, while the business license rates for the city compare favorably with those of other Northern Virginia jurisdictions.

**Projected Revenues
Generated by Commercial and Residential
Sectors**



The City is one of the few places in Northern Virginia where a small-town sensibility still exists. In effort to nurture this environment, plans are underway to make the pedestrian environment even more hospitable with wider sidewalks, landscaping, boulevard-style developments, bike trails and other improvements. Add the proximity of George Mason University, many historical buildings and an active artistic community, and the sum is a locale with a unique sense of community.

The City has initiated a major effort to improve the availability of public gathering spaces in the city by acquiring additional land to fulfill the needs of its residents by providing for open space, parkland, play areas and a community center.

The City's economy is well prepared to serve the City residents and residents of the surrounding trade area. There are over 4 million square feet of office space in the city, with a vacancy rate of 9.5 percent, and 3.7 million square feet of retail/service space, with a vacancy rate of 5.0 percent.

The economy has allowed the city to reposition itself to support redevelopment in Old Town Fairfax and in the Route 50/29 Corridor. The Route 50/29 Corridor is the city's economic engine, providing nearly 40 percent of all tax revenues generated from the community. Now known as Fairfax Boulevard, the City, in partnership with the Business Improvement District, the Economic Development Authority and the Planning Commission, is aggressively pursuing multiple redevelopment opportunities. A newly created vision for the corridor provided by the Fairfax Boulevard Master Plan identifies three main commercial centers prime for redevelopment. These locations are Fairfax Circle, Kamp Washington and Northfax Gateway.

Construction of the Old Town Plaza redevelopment project in downtown Fairfax is complete. Many new businesses have moved in with others completing their build-outs. This new development provides for nearly 150,000 square feet of retail/restaurant and office space. Considering the current condition of the commercial real estate market, the project continues to generate interest with nearly 60% of the available space sold or leased. Additionally, the project includes a 558 space parking structure, as well as the new 45,000 square foot City of Fairfax Regional Library, which opened in January 2008; new

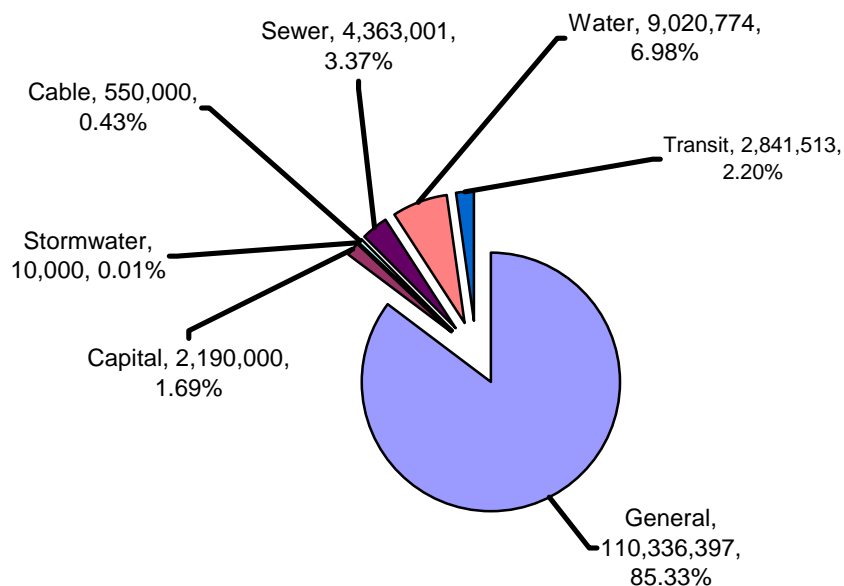
residential units are also planned for the final phase of the project. This redevelopment has proved to be a catalyst for the potential revitalization of several other properties in Old Town Fairfax.

In conjunction with George Mason University and the Small Business Development Center, the City operates a business incubator known as the Fairfax Innovation Center (FIC). The center is home to several GMU programs, 35 virtual tenants and 35 private start-up businesses occupying nearly 30,000 square feet of commercial office space in the City. Notably, the Electronics and Computer Software Export Promotion Council (ECSEPC) has selected the FIC as the Greater Washington location for their new offices and plan to take occupancy in 2009. The ECSEPC is an export promotion organization supported by the Government of India and comprised of a membership of 2,300 Indian firms from the electronics, software and IT industries. Numerous businesses have graduated from the incubator and now occupy commercial space in the city. Due to the success and demand of the FIC, the center has undertaken a recent expansion of its operations to include a state-of-the-art conference facility.

Overview – All Funds

Expenditures for all funds total \$129,311,685 less fund transfers to the Capital Budget and Transit Fund (\$2,810,538) equates to net expenditures of **\$126,501,147**. This is a net decrease of 1.8 percent over the prior year. The following charts illustrate the cost breakout by fund and the variance over last fiscal year.

Budgeted Expenditures by Fund: FY 2010



Fund	FY 2009 Adopted	FY 2010 Adopted	Percent Change
General	116,020,987	110,336,397	-4.9%
Stormwater	0	10,000	-
Capital	2,195,200	2,190,000	-0.2%
Cable	115,000	550,000	378.3%
Sewer	3,751,352	4,363,001	16.3%
Water	7,227,378	9,020,774	24.8%
Transit	2,964,604	2,841,513	-4.2%
Subtotal All Funds	\$132,274,521	\$129,311,685	-2.2%
General Fund Transfers			
Capital Budget	(2,195,200)	(2,190,000)	-0.2%
Transit Fund	(1,276,504)	(620,538)	-51.4%
Subtotal General Fund Transfers	(3,471,704)	(2,810,538)	-19.0%
Total All Funds	\$128,802,817	\$126,501,147	-1.8%

The following chart highlights the major changes in revenues from last year's budget:

General Fund Changes – Revenues

Changes in Revenues	\$ Change
Real Estate Taxes	1,706,611
Commercial Real Estate Taxes for Transportation	1,600,000
Photo Red Light Program	340,000
Intergovernmental Funds	175,382
Decal Fee Increase	152,000
Miscellaneous Changes	30,702
Sales Tax	(3,579,451)
Savings from School Financing	(1,239,190)
Personal Property	(445,083)
Licenses, Permits, and Fees	(350,440)
Business Licenses (BPOL)	(276,172)
Recordation Tax	(251,025)
Communication Taxes	(243,098)
Parks and Recreation Fees	(102,801)
Business Improvement District (BID)	(102,340)
Appropriated Fund Balance	(3,877,676)
Total Additional / (Less) Revenues	(6,462,582)

The following chart highlights the major changes in expenditures from last year's budget:

General Fund Changes – Expenditures

Changes in Expenditures		\$ Change
Non Public Safety Reductions		
Market Adjustment	\$216,664	
Personnel (Elimination of 8.5 FTE's)	(830,900)	
Operating Expenses	(635,854)	
Unspecified Personnel Savings	(458,300)	
Temporary Personnel	<u>(415,000)</u>	
Total Non Public Safety Reductions		(2,123,390)
Public Safety Reductions		
Market Adjustment	248,937	
Net Changes in Personnel	268,100	
Overtime	(442,000)	
Operating Expenses	<u>(762,402)</u>	
Total Public Safety Reductions		(687,365)
Renaissance Housing Program		50,000
Lease Payment - School Bus Parking Lot		100,000
Photo Red Light Program		138,000
Increase in Fringe Benefits		553,227
Reduced Employee Turnover		757,071
Transfer to Commercial Transportation Tax Fund		1,600,000
School Tuition Contract		(3,760,304)
Reduction in Tax Stabilization Fund		(777,992)
Transfer to Transit Fund		(655,966)
Miscellaneous Changes		(322,248)
Reduced Debt Service		(253,283)
Senior Citizen Tax Relief Program		(200,000)
Business Improvement District (BID)		(102,340)
Total Additional / (Less) Expenditures		(5,684,590)

Cash Management / Fund Balance

It is critically important to maintain an adequate fund balance. Financial policies recommended by the City's financial advisors, the City's auditors, and adopted by the City Council, require a fund balance equal to a minimum of approximately 10 percent of General Fund expenditures.

More than being key to maintaining and/or potentially improving the City's bond rating, an adequate fund balance allows the City to cope with revenue shortfalls, to pay for unbudgeted expenditures or unanticipated needs, to pay for other one-time large expenditures, and provide for adequate cash flows to absorb fluctuating expenditures and revenues during the fiscal year. The following chart provides a history of the City's General Fund Cash Balance:

General Fund - Fund Balance		
Fiscal Year	Amount	% of Expenditures
2010*	\$12,212,058	11.1%
2009*	12,031,089	10.8%
2008	15,908,765	14.8%
2007	14,612,497	14.6%
2006	14,278,483	14.6%
2005	12,534,246	11.3%
2004	10,975,387	13.4%
2003	10,456,564	13.9%
2002	9,954,003	14.1%
2001	9,576,156	13.8%
2000	9,211,876	14.6%

* estimate

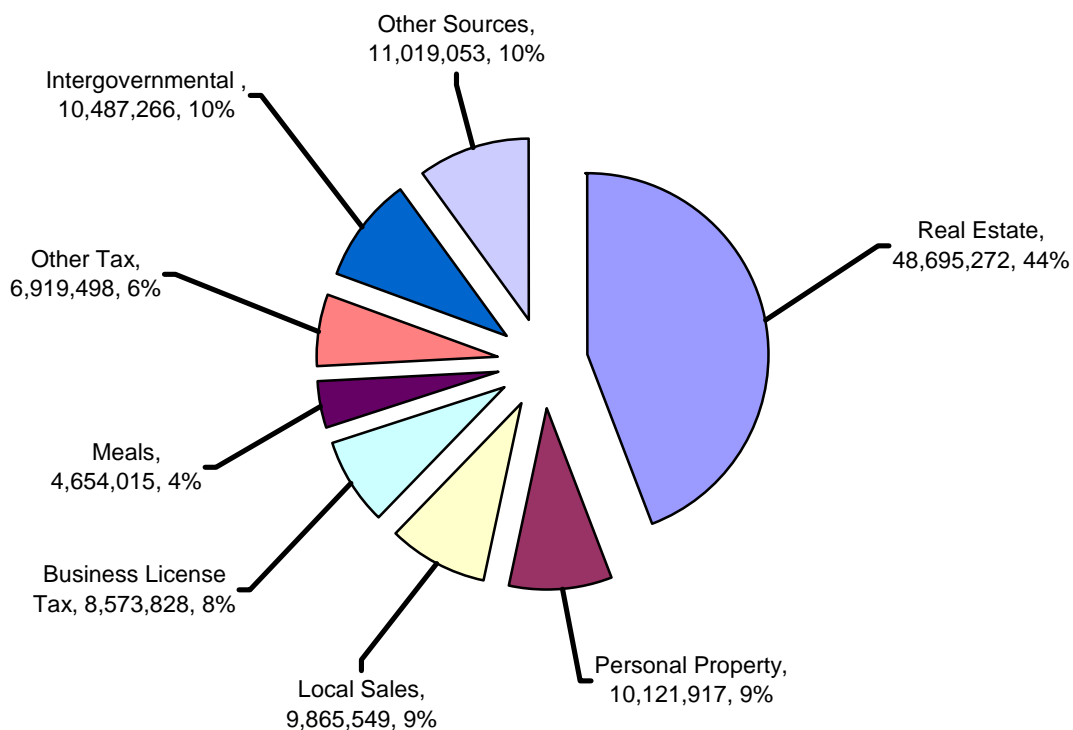
The City recently obtained a line of credit in June 2008 as a proactive and pre-cautionary step to insure that there is adequate cash-flow liquidity throughout the year. Cash-flow is a concern during certain periods of the fiscal year when the City's cash levels are at their lowest. The City's cash collections experience significant peaks and valleys while the expenditures are incurred at a more even pace. Specifically, the line of credit is intended to cover potential cash short falls just prior to June real estate tax collections. The line of credit is also intended to ensure against cash deficits that may result from a deteriorating economy.

General Fund Revenues

Overview

Revenue projections for FY 2010 are down significantly from the FY 2009 budget as a result of a continued down turn in the economy. A 9.7 percent decrease in residential assessments was partially offset by a 1.5 percent increase in commercial assessments. Sales tax and BPOL revenues, both considered indicators of the health of the economy are projected to decrease approximately 26.6% and 3.1%, respectively. However, personal property tax (2.9% decrease) and meals tax (1.8% increase) remain fairly constant.

General Fund Revenue Sources: \$110,336,397 FY 2010 Budget



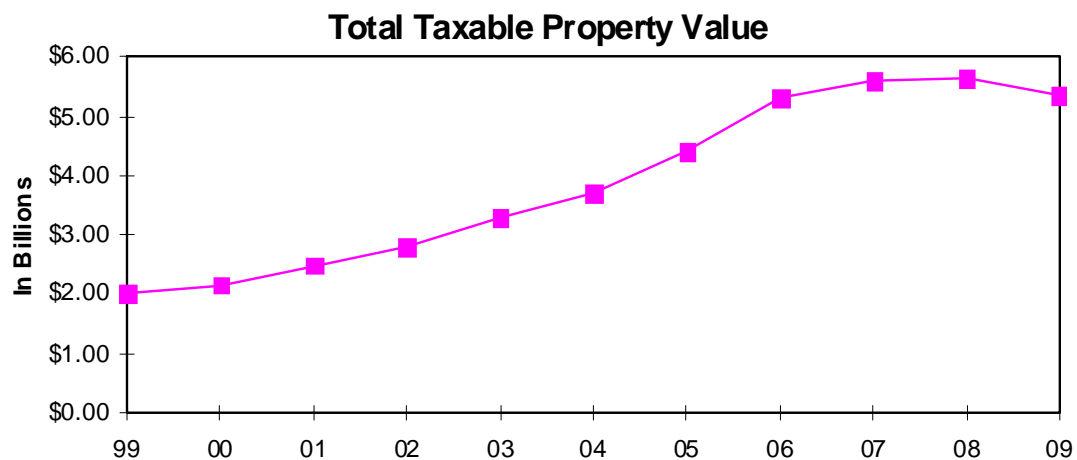
Real Estate Tax

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Real Estate Tax Revenue	\$43,774,958	\$45,388,661	\$47,669,933	\$48,695,272
Real Estate Tax Rate	\$.72 / \$100	\$.79 / \$100	\$.79 & \$.88 / \$100	\$.88 / \$100

Real property tax revenues account for the largest category of revenue for the General Fund, representing 44.1 percent of total General Fund revenues. A real estate tax rate of \$.88, a \$.09 increase, was adopted for FY 2010. Total real estate assessments are down 4.9 percent, which includes new construction of \$26.3 million, compared to a .38 percent increase for the previous fiscal year.

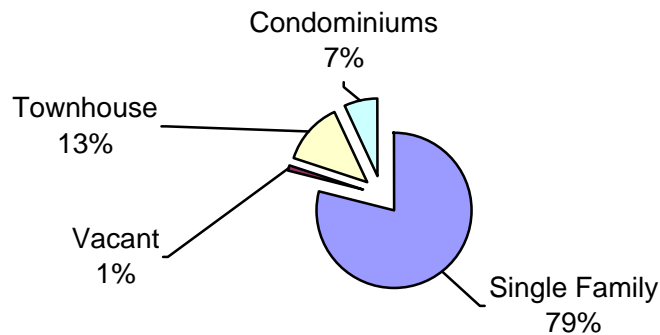
Category	CY 2008	CY 2009
Residential Assessments	\$ 3,475,794,600	\$ 3,150,748,200
Commercial Assessments	\$ 2,161,997,400	\$ 2,208,348,900
Total Assessments	\$ 5,637,792,000	\$ 5,359,097,100

The 2009 total taxable value of City residential and commercial properties before appeals is \$5,359,097,100 and is less than last year's total assessed value by \$278,694,900 (4.9%).



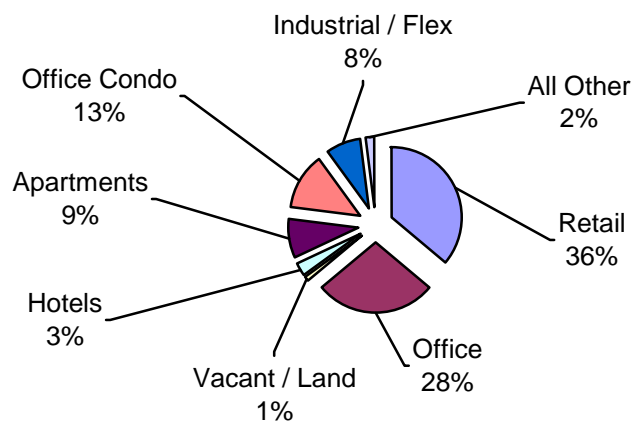
The overall residential assessment total has decreased by 9.7 percent, and includes new construction. The following notes the breakout by category for the Residential tax base.

Residential Real Estate Tax Base - 2009

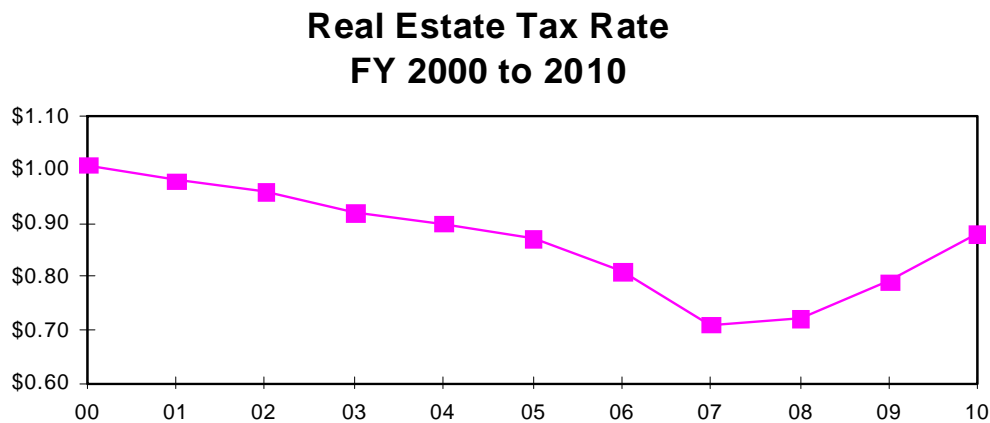


Commercial assessments have witnessed an increase of 1.5 percent overall, and includes new construction. The following notes the breakout by category for the Commercial tax base.

Commercial Real Estate Tax Base - 2009



The budget notes a tax rate increase of \$.09 from \$.79 to \$.88 per \$100 of assessed valuation for FY 2010. In addition, the City currently has two service districts, the Old Town and the Fairfax Boulevard Business Improvement District (BID) which the City assesses an additional tax to the real estate parcels contained in those districts. The Old Town Service District will remain at \$.06 per \$100 of assessed value. Revenue will continue to help fund remaining costs of undergrounding overhead utility lines in the Old Town Service District. The service district tax rate for the BID was reduced from \$.01 to \$0 per \$100 of assessed value. As part of the FY 2010 Adopted Budget, a third service district was added and provides for a surcharge on commercial real estate properties at a rate of \$.08 per \$100 of assessed value. Per the General Assembly, funds are designated for new transportation projects only and will generate approximately \$1.6 million in FY 2010.

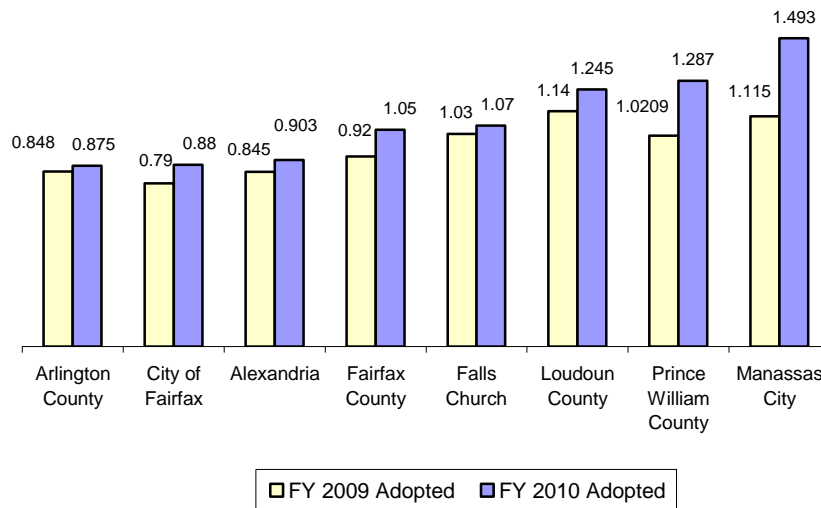


In comparing tax rates, it is important to keep in mind two factors often overlooked – levels of service vary from jurisdiction to jurisdiction, and for residents of area towns, a town tax is levied in addition to the county tax. The City of Fairfax prides itself on its high level of services and low tax rate – one of the lowest in Northern Virginia. Two large towns in our immediate area – Vienna and Herndon – known for similar levels of community services, levy real estate taxes of \$.21 and \$.24 per \$100 (current fiscal year rates), respectively, in addition to the Fairfax County tax, adopted at \$1.05 per \$100 for FY 2010.

FY 2010 Adopted Budget – City of Fairfax, Virginia

Comparative information was gathered from surrounding jurisdictions' FY 2010 Budgets. All jurisdictions increased their respective real estate tax rate from FY 2009 to FY 2010.

**Comparative Real Estate Tax Rates:
FY 2009 Adopted and FY 2010 Adopted**



The adopted real estate tax rate of \$.88 is a \$.09 increase over FY 2009. However, the average residential tax bill is expected to remain virtually the same as the previous year due to a 9.7 percent average reduction in assessed residential real estate values.

**Impact of Real Estate Tax Rate
Average Owner's Tax Bill at Various Values
All Residential Properties**

2008 Assessment	2008 Taxes \$.79 per \$100	2009 Assessment	2009 Taxes \$.88 per \$100	Annual \$ Increase	Annual % Increase	Monthly \$ Increase
\$350,000	\$2,765	\$316,055	\$2,781	\$16	.6%	\$1
500,000	3,950	451,507	3,973	24	.6%	2
650,000	5,135	586,959	5,165	30	.6%	3

Note: average estimated decrease in assessment of 9.7 percent (excludes new construction); each property is separately valued therefore each assessment maybe higher or lower than the average.

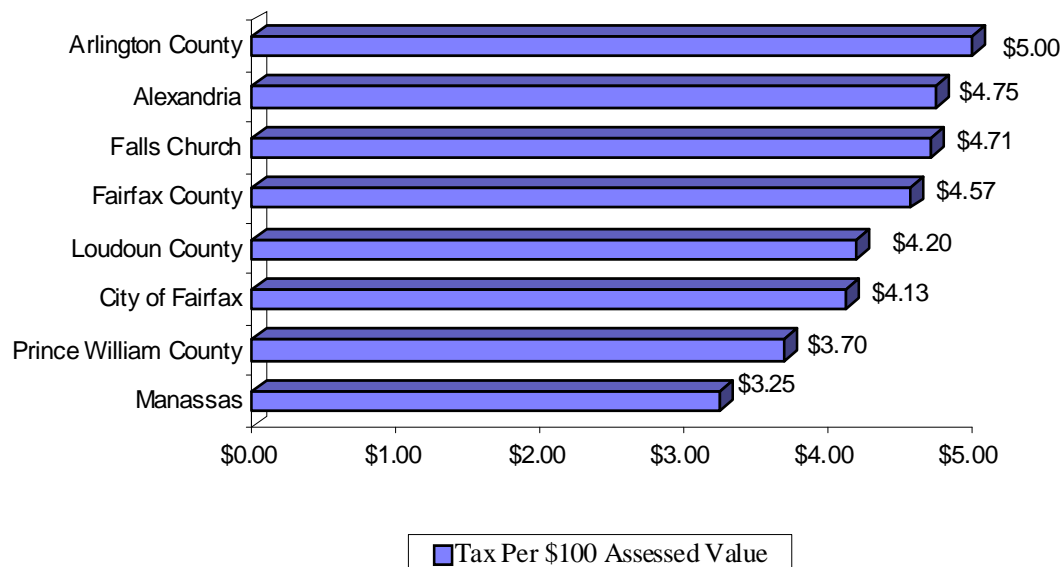
Personal Property Tax

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Personal Property Tax Revenue	\$10,011,917	\$10,415,000	\$12,277,419	\$10,121,917
Personal Property Tax Rate	\$4.13	\$4.13	\$4.13	\$4.13

In FY 2008, the City increased the Personal Property Tax rate by \$.34, from \$3.79 to \$4.13. Despite this increase, the City's personal property tax rate is lower than most surrounding jurisdictions. For FY 2010, there is no recommended increase. The accompanying chart notes that the City will remain the third lowest in the region. The FY 2009 estimate for Personal Property notes a significant increase over the FY 2008 actual and then projects downward for the FY 2010 figure. This is due to the receipt of property taxes erroneously paid to Fairfax County by taxpayers, then later correctly remitted to the City.

At the current time, taxpayers are "reimbursed" by the state at a rate of approximately 52 percent of the tax up to the first \$20,000 of assessed value. While in most cases a disproportionate amount of money collected at local levels is disbursed to other areas of the state through means such as the composite index for education funding, in the case of personal property tax, a disproportionately larger amount is paid to Northern Virginia, because there are more and higher value cars in this area.

Personal Property Tax Rates
FY 2010



Local Sales and Use Tax

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Local Sales and Use Tax Revenue	\$13,433,255	\$13,445,000	\$8,622,408	\$9,865,549

The general sales tax rate for the state of Virginia is 5 percent, which consists of a 4 percent state tax and a 1 percent local tax. The local sales and use tax is one of the most important and highest revenue generators for the City. The FY 2009 estimate notes a 36% decrease from the FY 2008 actual. This is a reflection of the downturn in the local economy, and the repayment due to Fairfax County (\$1.57 million) for erroneously credited sales tax funds to the City. FY 2010's 27% decrease from the FY 2009 Budget reflects a 23% decrease due to a worsening economy and an additional reduction of 4% to account for corrections to future sales tax allocation between the City and Fairfax County.

Business, Professional, and Occupational License (BPOL) Tax

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
BPOL Tax	\$8,599,019	\$8,850,000	\$7,900,000	\$8,573,828

The FY 2009 estimate for BPOL taxes are projected to decrease 8% from the FY 2008 actual. This projection takes into account the downturn in the economy and the corresponding effect on local businesses. A 9% increase is projected from the FY 2009 estimate to the FY 2010 Adopted figure based on updated collections.

Meals Tax

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Meals Tax Revenue	\$4,628,045	\$4,575,000	\$4,701,025	\$4,654,015

This has been a very stable source of revenue for the City, increasing slightly every year at current rates. In FY 2008, the City increased the Meals Tax rate from 2 percent to 4 percent. For FY 2010, revenue is projected at \$4,654,015. As the following chart indicates, several area jurisdictions also impose this tax and in most cases at a rate on par with the City.



Licenses, Permits, and Fees

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Licenses, Permits, and Fees	\$1,055,604	\$1,369,742	\$937,836	\$1,019,301

For FY 2010, revenues are projected to increase 9% from the FY 2009 estimate. The City's rates and levies were adjusted January 1, 2009 per City Council directive. Additional revisions were recommended by City departments to coincide with the FY 2010 Adopted Budget.

Fines and Forfeitures

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Fines & Forfeitures	\$893,186	\$1,125,000	\$856,933	\$1,414,071

This category of revenues increases by 26% in FY 2010 from the FY 2009 Adopted figure. This is due mainly to the Photo Red Light program which will be phased in during FY 2010, and is projected to generate \$540,000. Expenses attributed to the Photo Red Light Program are included in the Public Works budget.

Use of Money and Property

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Use of Money and Property	\$3,446,770	\$2,323,086	\$2,331,756	\$2,211,097

The FY 2009 estimate for these revenues is expected to decrease by 32% from the FY 2008 actual due mainly to the decrease in interest on earnings. This is consistent with a majority of the bond funds spent and recent actions taken by the Federal Reserve. FY 2010 revenues are projected to decrease 5% from the FY 2009 estimate.

Charges for Services

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Charges for Services	\$1,391,864	\$2,648,067	\$2,649,887	\$2,598,626

The FY 2009 estimate for this category is projected to increase 90% over the FY 2008 actual. This is due to funds received from the implementation of the Emergency Medical Services (EMS) Billing Program. For FY 2010, a 2% decrease is expected from the FY 2009 estimate.

State Aid

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
State Aid	\$10,462,003	\$10,005,484	\$9,477,334	\$10,108,589

This category covers a broad array of tax receipts such as Wine Tax, Vehicle Rental Tax, State Aid for Police, and Street and Highway Maintenance, and Fire Training. The FY 2009 Estimate for state aid has been reduced 5% from the FY 2009 Adopted figure. The FY 2010 figure is noted to increase by 7%, and is due mainly to the one-time inclusion of federal stimulus funds for education in the amount of \$478,751.

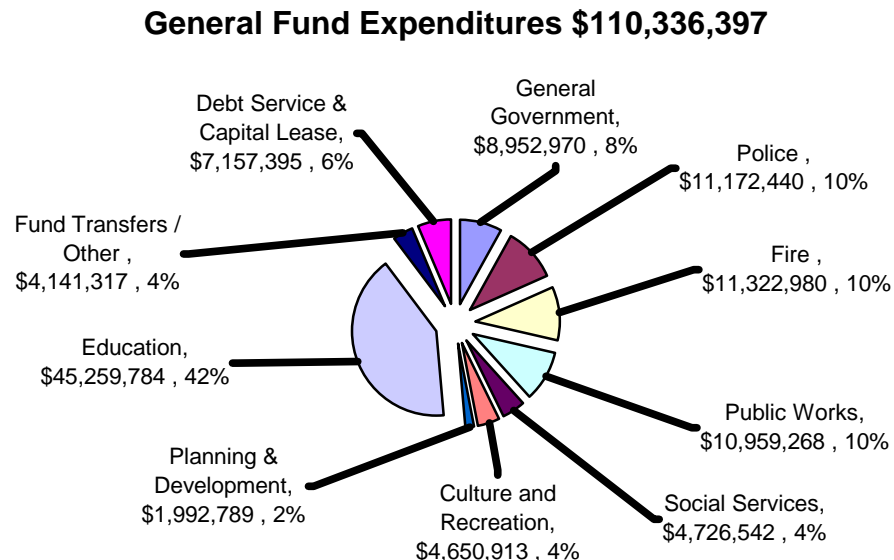
These numbers are subject to change until the State's budget is finalized. The City's share of state aid compared to that of other jurisdictions can potentially appear smaller. This is due to the fact that some of the aid received by the City in support of schools and the amount of social services is not shown because it is deducted from the amount of our contracts with Fairfax County. This influences the cost of City contracts for those services, particularly when the county makes a decision whether or not to make up state cuts with local dollars.

General Fund Expenditures

Overview- General Fund

The City's General Fund expenditures are budgeted at \$110,336,397 for FY 2010. This is a decrease of 4.9 percent over FY 2009. The largest spending category remains Education, followed by the Fire Department, Police Department, and Public Works. The "Fund Transfers" category notes the General Fund transfer to the Capital Budget, Transit Fund, Old Town Fund, and Commercial Real Estate Transportation Tax Fund. Also, "Other" refers to the City's contingent reserve, contributions to regional agencies, and expected savings from employee turnover.

The primary responsibility in developing a budget is to balance revenue capacity with service requirements. A continuing uncertain economic picture and a desire to mitigate any increased tax burden on our citizens results in a budget that maintains services and core programs and no new programs.



Every year the expenditure categories that drive the budget are remarkably the same: education, debt service to pay for long-term investments in City and school facilities, public safety, and the occasional expansion in some service or program.

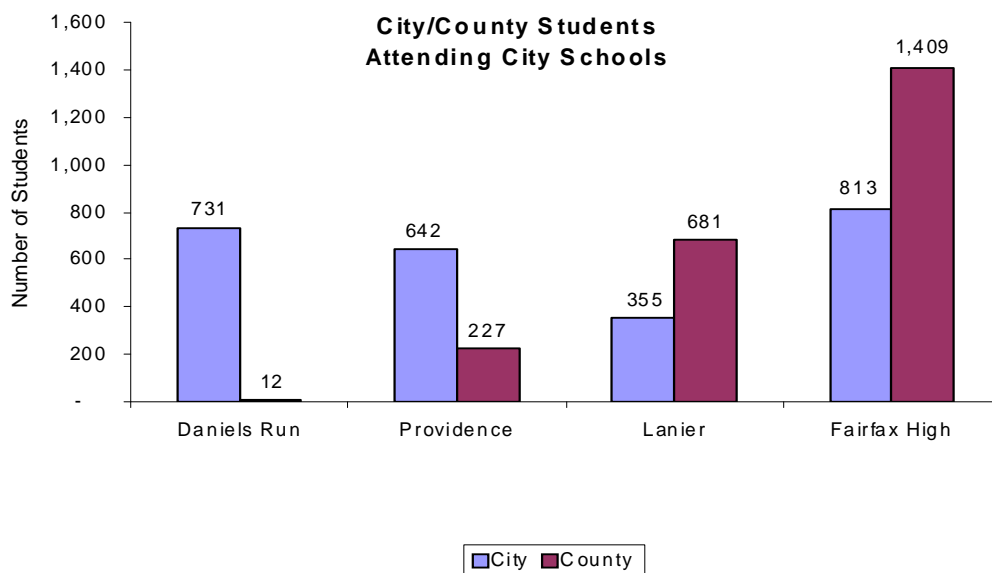
Education

The total request for the schools is \$45.3 million, a decrease of 8% (\$3.9 million). Administrative costs account for \$825,082, and combined debt/lease payments equate to \$7.9 million. The largest portion of this budget is the school tuition contract with Fairfax County Public Schools, budgeted at \$36,510,696, a decrease of \$3.7 million (9 percent) over the FY 2009 Adopted Budget. The following chart highlights the historical costs associated with the school tuition contract.

Fiscal Year	Final Tuition Bill	ADM	Cost Per Student*
2010	36,510,696	2,834	13,517
2009	38,310,909	2,814	13,552
2008	37,806,032	2,778	13,006
2007	34,188,018	2,727	12,030
2006	32,785,342	2,698	12,152
2005	30,679,214	2,724	11,263
2004	27,291,210	2,717	10,045
2003	26,534,379	2,723	9,745
2002	25,377,420	2,702	9,392
2001	23,965,003	2,621	9,143
2000	22,533,885	2,580	8,734

* excludes classroom rental fee

The City continues to maintain an overwhelming majority of the total population at both Daniels Run and Providence Elementary Schools at 98 percent and 74 percent, respectively. On the contrary, Lanier Middle School and Fairfax High School statistics note that City students represent 34 percent and 37 percent, respectively, of the those schools' attendance.



Debt Service

As part of the annual budget process, the City Council adopts a comprehensive set of Financial Policies. These policies serve to establish and document a policy framework for fiscal decision-making and to strengthen the financial management of the City. One of these policies specifically addresses Debt Service, and incorporates two subcomponents. First, debt service targets have been identified for the following: annual debt service expenditures shall be less than nine percent of annual expenditures and outstanding debt shall be less than three percent of assessed valuation. Second, the term of any bond issue shall not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

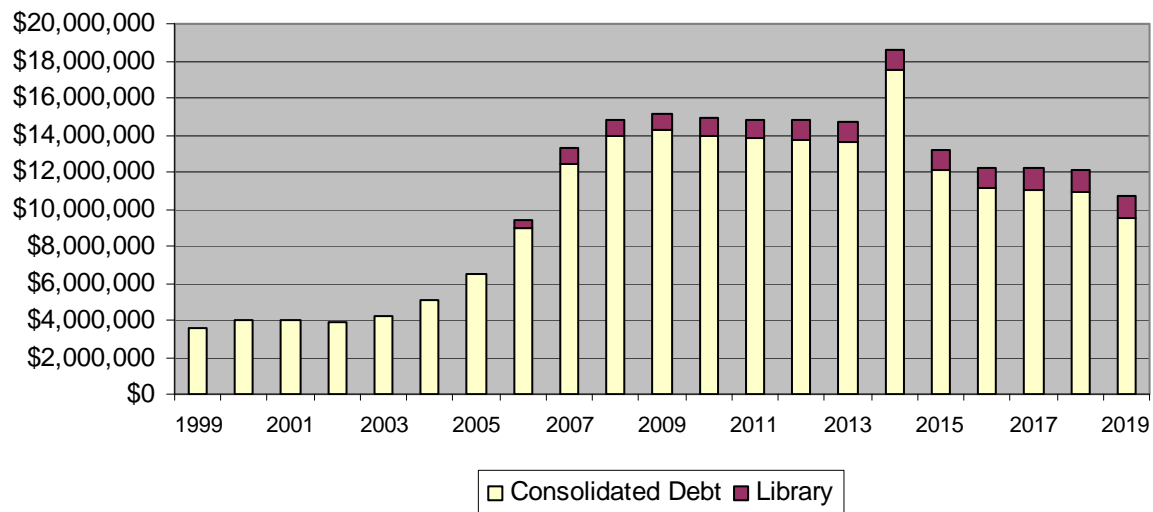
The City of Fairfax firmly adheres to debt limitations as outlined by the Virginia State Constitution, which notes the City may not issue bonds in excess of 10% of assessed valuation. Per the City's FY 2008 Comprehensive Annual Financial Report (CAFR), approximately \$185 million of outstanding debt is applicable to the limit of 10% of assessed value (approximately \$572 million). Thus, the City's total net debt applicable to the limit as a percentage of debt limit is 32.4%.

The City consults with its financial advisors and bond counsel to explore the most cost effective financing options for all debt issuances. This adherence to prudent fiscal management has allowed the City to make several long term infrastructure improvements for its residents. As a result of these practices, the City has been awarded a strong credit rating from two of the nation's notable rating agencies: AA+ from Standard and Poor's and Aa1 from Moody's. The following chart provides a summary highlight of total debt service and capital lease payments due in FY 2010 for the general fund. Debt service for the water and sewer fund is noted in the enterprise funds. Additional detail on the financings that account for each category is located in Section H of the Budget Book.

Category	FY 2010 Adopted
General Obligation	
General Government	\$1,490,974
Schools	<u>7,287,913</u>
Total General Obligation	\$8,778,887
Capital Lease	
General Government	\$5,493,921
Schools	<u>616,093</u>
Total Capital Lease	\$6,110,014
Total Payments	\$14,888,901

The City is currently repaying bonds for projects to improve City schools, streets, municipal properties, undergrounding utilities, constructing a library, purchasing and developing open space, storm drainage, synthetic turf, ball field development, Blenheim property improvements, and the acquisition of the Eleven Oaks property. The following chart provides a historical review of past and projected debt service and capital lease payments by fiscal year.

Annual Debt Service Payments by Fiscal Year

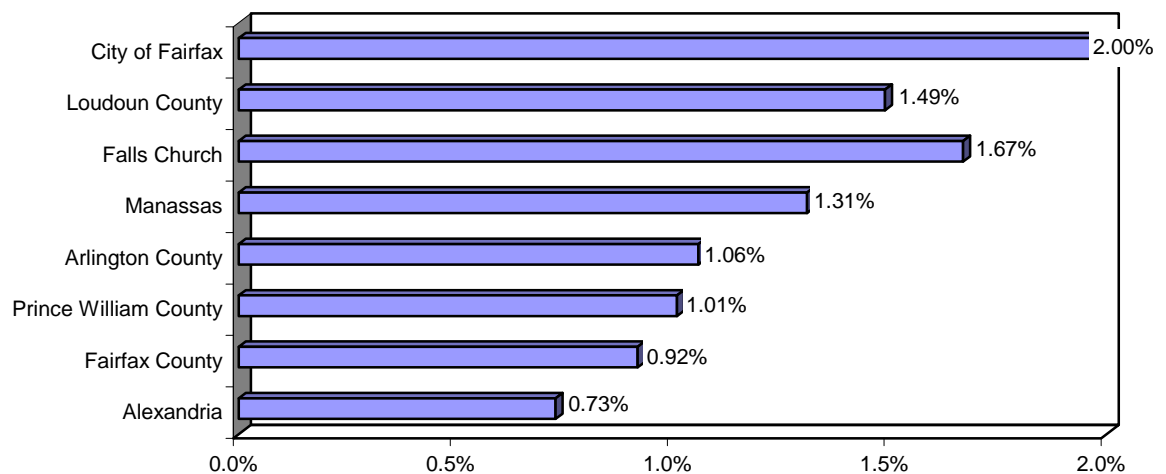


The spike in the FY 2014 debt service reflects the scheduled payoff of the Eleven Oaks property financing (\$4.2 million). It is anticipated that the property will be sold and the debt satisfied prior to its FY 2014 maturity date. Payments toward the City library are reimbursed per an agreement with Fairfax County.

The City's outstanding debt as a percent of assessed value has increased when compared to surrounding jurisdictions. This is due in large part to the financing of various projects cited earlier.

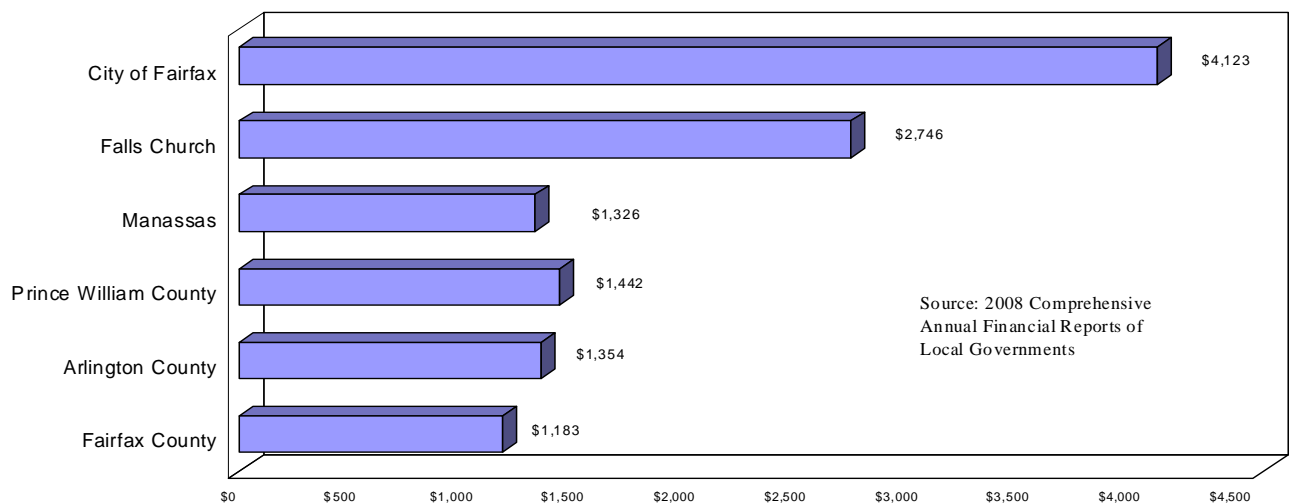
**2008 Outstanding General Obligation Debt
as a Percent of Assessed Value**

Source: 2008 Comprehensive Financial Annual Reports



The City's per capita education is significant compared to surrounding jurisdictions with the inclusion of all debt financing for the Schools (2004 and 2005 bond issues).

2008 Per Capita Education Debt



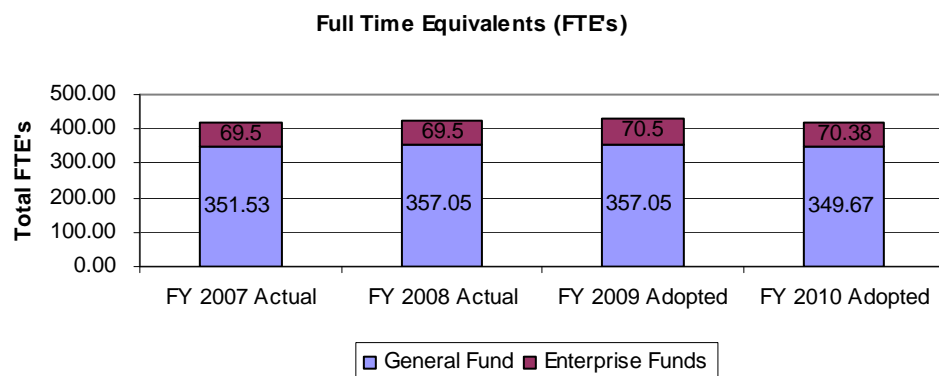
Employees, Salaries and Fringe Benefits

Due to extreme fiscal pressures, for the first time in at least two decades, the city has eliminated many of its standard benefits. Merit (step) increases for eligible employees (\$360,000), executive pay plan (\$60,000) and position reclassifications (approximately \$20,000) have all been eliminated from the FY 2010 budget. Additionally, cuts to employee benefits include the elimination of the tuition assistance program (\$25,000), employee luncheon (\$14,000), employee awards program (\$17,000) and two permanent reductions of holidays (\$30,000). A market adjustment (cola) of 1.75%, which equates to approximately \$455,400, will be provided to all employees for FY 2010 per council action.

The most notable change to personnel costs is the net reduction of 7.5 Full-Time Equivalent (FTEs) positions (\$772,800) from the city's permanent staff (1.8 percent of General Fund employees) compared to the FY 2009 Adopted Budget. Also, \$415,000 in temporary labor has also been eliminated in the FY 2010 budget. Additional anticipated reductions in personnel costs are budgeted to be achieved through attrition/position elimination (\$458,300). The total reduction of all these personnel related items equates to \$2,172,100. The following chart highlights the eliminated positions:

Department / Division	Position	FTE
Personnel	Personnel Analyst	1
Community Relations	Community Relations Assistant	1
Marketing / Parks & Recreation	Cultural Arts Coordinator	0.75
Parks & Recreation	Recreation Coordinator	1
Information Technology	IT Specialist	1
Information Technology	Computer Operator	1
Real Estate	Appraiser I	1
Police Department	Administrative Assistant	1
Police Department	Police Officer	-3
Fire Department	Life Safety Educator	1
Public Works	Equipment Operator	1
Public Works	Sign and Signal Technician	0.625
Public Works	Line Locator	0.5
Community Development & Planning	Division Chief	1
CUE	Administrative Assistant	-0.13
Total Position Reductions		7.50

The following chart notes the total number of positions since FY 2007:



FY 2010 Adopted Budget – City of Fairfax, Virginia

The following chart notes budget reductions by Department as part of the FY 2010 Adopted Budget:

Department / Division	Reduction Description	FTE	Net Reduction
City Council	Net operating budget reductions		11,493
City Clerk	Net operating budget adjustments		(373)
Electoral Board	Net operating budget reductions		30,616
Treasurer	Net operating budget adjustments		(5,265)
Commissioner of Revenue	Net operating budget adjustments		(25,882)
City Attorney	Net operating budget reductions		56,057
Personnel	Eliminate Tuition assistance		25,000
Personnel	Eliminate Management/Leadership training		3,500
Personnel	Eliminate Employee Awards Programs		17,000
Personnel	Eliminate Employee Recognition Luncheon		14,000
Personnel	Eliminate Part-time administrative help		5,000
Personnel	Eliminate Personnel Analyst (salary & benefits)	1	115,200
Printing & Office Supplies	Reduce optional postage/mailing to city customers		25,000
Printing & Office Supplies	Reduce centralized office supplies & copying services		9,000
Community Relations	Eliminate mailings of Cityscene; Online publication only		50,000
Community Relations	Eliminate Community Relations Assistant (salary & benefits)	1	66,800
Marketing	Adjust print publications & advertising		(20,000)
Marketing	Eliminate Cultural Arts Coordinator (salary & benefits)	0.75	41,600
Cable TV	Reduce Temporary help funds for city coverage of all events		9,800
Information Technology	Reduce Contract Services		59,000
Information Technology	Reduce Software Fees		
Information Technology	Reduce Equipment Maintenance		1,400
Information Technology	Reduce Equipment Replacement		52,200
Information Technology	Eliminate new equipment purchases		70,000
Information Technology	Eliminate Information Technology Specialist (salary & benefits)	1	115,200
Information Technology	Eliminate Computer Operator (salary and benefits)	1	81,700
Finance & Accounting	Senior Tax Relief Program – reduce maximum income from \$72,000 to \$52,000		200,000
Finance & Accounting	Reduction in Audit contract cost		21,750
Real Estate Assessments	Eliminate Appraiser I (salary & benefits)	1	115,200
Police	Eliminate Administrative Assistant I (salary & benefits)	1	50,500
Police	Eliminate Lieutenant – Community services and programs (salary & benefits)		140,300
Police	Additional Three Police Officer Positions (salary & benefits)	-3	(210,000)
Police	Reduction in Overtime		100,000
Fire	Reduce Overtime		200,800
Fire	Eliminate Life Safety Education Officer (salary & benefits)	1	109,400
Fire	Elimination of Holiday Worked Pay		167,687

FY 2010 Adopted Budget – City of Fairfax, Virginia

Budget reductions by department continued:

Department / Division	Reduction Description	FTE	Net Reduction
Public Works – Streets Division	Reduce Asphalt & Concrete Related Work (e.g. supplies, materials, etc.)		196,357
Public Works - Stormwater	Eliminate Utility Worker III (salary & benefits)	1	78,000
Public Works -Sign/Signal/Lighting	Reduce all overtime with Special Events (reflected in Parks & Recreation)		67,000
Public Works -Sign/Signal/Lighting	Eliminate Line Locator Position (salary & benefits)	0.5	21,800
Public Works -Sign/Signal/Lighting	Addition of Sign and Signal Technician (salary & benefits)	-0.625	(41,700)
Public Works – Operations	Eliminate setout service for Trash Collection (2 Temp. Employees)		76,600
Public Works – Operations (Refuse)	Eliminate Holiday pay for Refuse employees		56,700
Public Works – Operations (ROW)	Eliminate temporary help funds for leaf collection (15-20 Temp. Employees)		173,100
Public Works – Operations (ROW)	Eliminate contract funds for landscaping and mowing; provide with PW staff		117,000
Parks and Recreation	Restructuring of various administrative support functions and programs		101,700
Parks and Recreation	Eliminate of Recreation Coordinator (salary & benefits)	1	115,200
Parks and Recreation - Ballfields	Eliminate of Temporary Help		72,700
Parks and Recreation - Ballfields	Reduce funds for ball field related needs (e.g. soil, mulch, sod, etc.)		41,923
Parks and Recreation	Reduce Special Events (Fall Festival, Downtown Lights, and Lights & Carols)		50,349
Historic Resources	Various operating budget reductions		45,954
Community Planning & Development	Eliminate Division Chief (salary and benefits)	1	147,000
Community Planning & Development	Reduce funds for contract services		229,000
Schools	Various operating budget reductions		27,252
Schools	Tuition savings		3,760,304
CUE Bus	Administrative Assistant (salary and benefits)	-0.13	(25,100)
Fund Transfers	Capital, Transit, Old Town and Commercial Transportation Tax		(970,500)
All employees	Eliminate 2 Holidays		30,000
Department Directors	Eliminate Executive Pay Plan		60,000
Various departments	Unspecified personnel savings		458,300
All employees	Market Adjustment (COLA)		(455,400)
All departments	Misc. Adjustments		(441,140)
Total Reductions		7.50	\$5,684,590

FY 2010 Adopted Budget – City of Fairfax, Virginia

Special Events Expenses and Revenue

	2006 4th of July	2007 4th of July	2008 4th of July	2006 Fall Festival	2007 Fall Festival	2008 Fall Festival	2006 Holiday Craft Show	2007 Holiday Craft Show	2008 Holiday Craft Show	2006 Lights & Carols	2007 Lights & Carols	2008 Lights & Carols	2006 Choc. Lovers Festival	2007 Choc. Lovers Festival	2008 Choc. Lovers Festival	2006 Civil War Weekend	2007 Civil War Weekend	2008 Civil War Weekend	2006 First Fairfax	2007 First Fairfax	2008 First Fairfax	TOTAL 2006	TOTAL 2007	TOTAL 2008	
ATTENDANCE	50,000	60,000	60,000	25,000	45,000	45,000	4,000	4,500	4,500	2,200	2,500	2,500	10,000	10,000	10,000	1,711	0	0	5,000	0	0	97,911	122,000	122,000	
REVENUE																									
Entrance Fee	\$ -	\$ 0	\$ 0	\$18,529	\$ 0	\$ 0	\$11,453	\$11,637	\$18,210	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$4,225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$34,207	\$11,637	\$18,210	
Other Revenue	\$ 2,182	\$18,087	\$20,810	\$51,016	\$99,393	\$103,962	\$52,840	\$55,094	\$61,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$106,538	\$172,574	\$186,346	
Outside Org. Revenue	\$ 22,676	\$18,469	\$20,010	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$7,162	\$6,772	\$6,984	\$400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$30,238	\$25,241	\$26,994	
TOTAL REVENUE	\$ 24,858	\$36,556	\$40,820	\$69,545	\$99,393	\$103,962	\$64,293	\$66,731	\$79,784	\$ 0	\$ 0	\$ 0	\$7,162	\$6,772	\$6,984	\$5,125	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$170,983	\$209,452	\$231,550	
EXPENSES																									
PARKS & RECREATION																									
DIRECT																									
Downtown Lights on Buildings	\$142,880	\$158,716	\$152,384	\$42,004	\$64,477	\$59,052	\$27,025	\$32,163	\$23,760	\$17,477	\$19,251	\$12,380	\$965	\$662	\$715	\$966	\$ 0	\$ 0	\$ 0	\$84,130	\$ 0	\$ 0	\$315,447	\$275,269	\$248,291
Main Street Tree Lights										\$10,953	\$10,953	\$2,099										\$10,953	\$10,953	\$2,099	
Kitty Poxer Garden Lights										\$7,924	\$7,924	\$7,924										\$7,924	\$7,924	\$7,924	
Wreaths										\$11,259	\$11,259	\$10,089										\$11,259	\$11,259	\$10,089	
Tree										\$3,255	\$6,412	\$ 0										\$3,255	\$6,412	\$ 0	
Historic Resources										\$2,300	\$2,300	\$2,000				\$15,000	\$ 0	\$ 0	\$ 0	\$2,300	\$2,300	\$2,300	\$2,300	\$2,000	
DIRECT P&R SUB TOTAL	\$142,880	\$158,716	\$152,384	\$42,004	\$64,477	\$59,052	\$27,025	\$32,163	\$23,760	\$53,168	\$58,099	\$34,492	\$965	\$662	\$715	\$15,966	\$ 0	\$ 0	\$ 0	\$84,130	\$ 0	\$ 0	\$366,138	\$314,117	\$270,403
INDIRECT (Salaries)																									
Management Parks and Recreation	\$25,187	\$28,885	\$29,474.00	\$20,463	\$26,467	\$26,997	\$15,740	\$19,181	\$19,565	\$9,289	\$9,665	\$9,659	\$2,362	\$2,429	\$2,477	\$ 0	\$ 0	\$ 0	\$11,209	\$ 0	\$ 0	\$84,250	\$86,637	\$88,372	
Community Relations Office	\$3,900	\$4,711	\$4,140	\$3,500	\$4,177	\$2,695	\$ 0	\$ 0	\$ 0	\$ 0	\$1,446	\$1,170	\$2,698	\$2,800	\$2,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$10,098	\$13,134	\$10,075	
Fire & Rescue Department	\$3,503	\$3,726	\$4,265	\$2,637	\$3,255	\$4,318	\$65	\$248	\$250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$240	\$ 0	\$ 0	\$1,680	\$ 0	\$ 0	\$8,125	\$7,229	\$8,833	
Police Department	\$19,989	\$19,506	\$18,323	\$11,048	\$11,212	\$11,702	\$1,295	\$1,150	\$630	\$ 0	\$ 0	\$ 0	\$1,140	\$1,656	\$1,826	\$4,275	\$ 0	\$ 0	\$7,364	\$ 0	\$ 0	\$45,111	\$33,524	\$32,481	
Public Works Department	\$18,460	\$17,110	\$19,320	\$15,683	\$18,435	\$20,749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,189	\$1,017	\$2,112	\$10,284	\$ 0	\$ 0	\$10,374	\$ 0	\$ 0	\$55,990	\$36,562	\$42,181	
Transit Division	\$13,114	\$13,185	\$11,769	\$4,831	\$5,158	\$4,822	\$3,553	\$5,229	\$1,308	\$ 0	\$ 0	\$ 0	\$2,933	\$2,793	\$2,567	\$2,104	\$ 0	\$ 0	\$2,329	\$ 0	\$ 0	\$28,864	\$26,365	\$20,466	
Treasurer	\$ 0	\$ 0	\$ 0	\$736	\$ 0	\$ 0	\$832	\$939	\$983	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$1,568	\$99	\$983	
Historic Resources	\$785	\$785	\$824	\$511	\$511	\$537	\$511	\$511	\$537	\$540	\$540	\$567	\$670	\$670	\$704	\$3,775	\$ 0	\$ 0	\$785	\$ 0	\$ 0	\$7,577	\$3,017	\$3,169	
Outside Organization Expense	\$14,488	\$13,754	\$20,010	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$8,880	\$5,420	\$6,984	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$23,378	\$19,174	\$26,994	
FICA (7.65%)	\$6,498	\$6,726	\$6,741	\$4,545	\$5,295	\$5,494	\$1,683	\$2,085	\$1,780	\$752	\$891	\$981	\$841	\$869	\$899	\$1,582	\$ 0	\$ 0	\$2,581	\$ 0	\$ 0	\$18,481	\$15,687	\$15,795	
INDIRECT EXPENSE SUB TOTAL	\$105,924	\$108,398	\$114,866	\$63,954	\$74,510	\$77,314	\$23,679	\$29,343	\$25,053	\$10,581	\$12,542	\$12,477	\$20,723	\$17,654	\$19,639	\$22,260	\$ 0	\$ 0	\$ 0	\$33,741	\$ 0	\$ 0	\$280,861	\$242,448	\$249,349
TOTAL DIRECT/INDIRECT EXPENSES	\$248,804	\$267,114	\$267,250	\$105,958	\$138,987	\$136,366	\$50,704	\$61,506	\$48,813	\$63,749	\$70,641	\$46,969	\$21,688	\$18,316	\$20,354	\$38,226	\$ 0	\$ 0	\$ 0	\$117,871	\$ 0	\$ 0	\$646,999	\$556,565	\$519,752
Net Costs Direct Only				\$27,541	\$34,916	\$44,910	\$37,268	\$34,568	\$55,024	\$53,168	\$58,099	\$34,492	\$6,197	\$6,110	\$6,269	\$10,841	\$ 0	\$ 0	\$84,130	\$ 0	\$ 0				
Net Costs Direct & Indirect							\$13,589	\$5,225	\$30,971	\$63,749	\$70,641	\$46,969													
																		</							

*Includes direct staff costs and direct programming costs

** Yearly Staff Prep

Contract Services

Expenses for county and regional service contracts make up 40 percent of the City's General Fund. The City contracts with Fairfax County for many services, and the largest of which is the City's School Tuition Contract. This excludes debt service costs.

FY 2010 City-County and Regional Service Contracts		
	FY 2009 Adopted	FY 2010 Adopted
City-County Contracts:		
School Tuition Contract	\$40,271,000	\$36,510,696
Library Services	912,014	885,000
Joint Court Service	250,130	254,780
Juvenile and Domestic Court	509,715	384,359
Jail and Custody Service	1,059,166	1,206,181
Fire & Rescue – Suppression	250,000	230,000
Refuse Disposal	570,800	550,000
Extension - County Agent	37,797	35,000
Social Services	1,314,657	1,266,207
Health Department	957,903	999,395
Subtotal City-County Contracts	46,133,182	42,321,618
Regional Agencies:		
Community Services Board	1,422,621	1,408,812
Council of Governments	14,378	14,378
Health Systems Agency	2,350	2,350
Area Agency on Aging	45,852	45,852
Legal Services of NoVa	21,945	21,945
NoVa Community College	2,082	2,082
NoVa Regional Commission	12,941	12,941
NoVa Regional Park Authority	45,279	48,160
NoVa Transportation Comm.	6,857	6,857
Volunteer Center	6,000	6,000
Subtotal Regional Agencies	1,580,305	1,569,377
Total Contract Services	\$47,713,487	\$43,890,995

Capital Fund

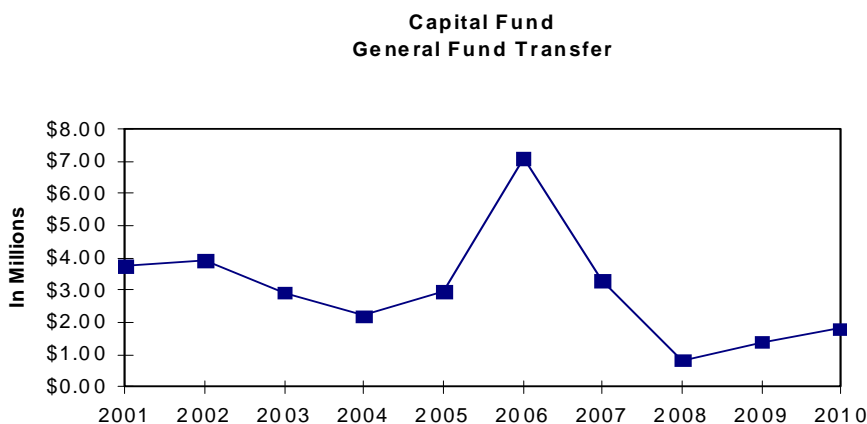
Overview

Capital program management covers three basic areas – constructing projects, maintaining them once they are built, and planning for the future. When budgets are limited, equipment purchases and large maintenance efforts often are delayed. These needs cannot be deferred indefinitely without long-term consequences. The City remains committed to ensuring adequate support for protection and enhancement of capital resources, and this is reflected in the Council's financial policy to transfer funds equal to five percent of the General Fund to the Capital Fund.

The City's Capital Improvement Program (CIP) is designed to protect the City's investments in capital and operating assets through timely and adequate maintenance and replacement. The CIP is a planning tool linking the City long-range Comprehensive Plan with the physical development of the City. By identifying projects and needs several years into the future, the City accomplishes several objectives:

- Identified long-term objectives can be scheduled and met
- Adequate time is provided to plan, design, acquire land and negotiate agreements
- Major purchases can be scheduled
- Coordination with the operating budget is maximized

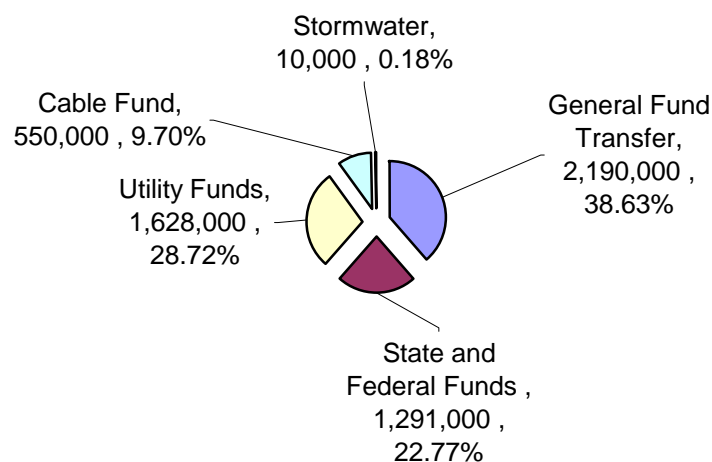
While we must evaluate CIP projects in relation to the budget as a whole, giving lower priority to infrastructure projects – particularly in the area of maintenance – is a short-term solution with long-term consequences. It is important to protect City investments through timely and adequate maintenance and replacement of assets.



The Capital Improvement Program for FY 2010 totals **\$5,669,000**. The General Fund contributes **\$2,190,000** of this total. FY 2006 notes a significant transfer compared to previous years due to additional revenue received, and the City was able to go forward with pre-funding several projects one year earlier than anticipated. The FY 2008 transfer was reduced based on overall savings, and the elimination of some capital projects as approved by the City Council.

In addition to the General Fund (which typically constitutes a majority of all capital funds), funding for the Capital Fund comes from Utility Funds, Federal and State Funds, and the Cable Fund. The following chart illustrates the sources of funding for the Capital Budget in FY 2010.

FY 2010 Capital Budget Sources of Funding



The City organizes all capital projects by five categories: Schools, General Government, Recreation and Community Appearance, Environment, and Transportation. Funding totals for each category are noted in the following chart. The categories are then listed with the applicable projects that are scheduled to receive funding in FY 2010.

**Capital Fund – Spending by Category
Fiscal Year Comparison**

Category	2009 Adopted	2010 Adopted	Percent Change
Schools	\$0	\$0	0%
General Government	950,164	1,415,000	48.9%
Recreation and Community Appearance	101,900	90,000	-11.7%
Environment	610,460	1,713,000	180.6%
Transportation	6,197,000	2,451,000	-60.55%
Total	\$7,859,524	\$5,669,000	-27.9%

Schools

For FY 2010, there are no Capital projects scheduled for the Schools. Renovations are near completion at Fairfax High School and Lanier Middle School. Funding was the result of General Obligation Bonds and Capital Lease financing. It is anticipated that capital funding requests will resume in FY 2011.

General Government

This category provides funding for building maintenance, vehicles and equipment replacement, and public safety projects. All cable requests are paid out of the cable fund and do not impact the general fund.

Project	Fund Source	Amount
School Bus Parking Lot	General	\$175,000
Cable TV Equipment	Cable	550,000
Northern Virginia Community College	General	24,000
Vehicle & Equipment Replacement	General	470,000
Police Information Technology	General	20,000
Police Vehicle Replacement	General	176,000
Total		\$1,415,000

Recreation / Community Appearance

This category provides funding for the City's parks and recreational facilities.

Project	Fund Source	Amount
Northern Virginia Regional Park Authority	General	\$60,000
Planting & Beautification	General	30,000
Total		\$90,000

Environment

The Storm Drainage Maintenance and Neighborhood Drainage Projects are funded from the General Fund. All remaining projects are funded through the City's Water and Sewer Funds.

Project	Fund Source	Amount
Storm Drainage Maintenance	General	\$25,000
Storm Sewer Lining	General	50,000
Stormwater Management Initiatives	Enterprise	10,000
Sewer Lining	Enterprise	315,000
Sewer Manhole Rehabilitation	Enterprise	32,000
Sewer Trunk Line Rehabilitation	Enterprise	100,000
Sanitary Sewer Metering Vault Rehab.	Enterprise	300,000
Water Plant Equipment Replacement	Enterprise	100,000
Water Plant Raw Water Station Rehab.	Enterprise	250,000
Water Plant Renovations	Enterprise	250,000
Water Tank Maintenance Program	Enterprise	150,000
Water Vehicle Replacement	Enterprise	131,000
Total		\$1,713,000

Transportation

This CIP category provides funds for roads and traffic signal improvements and maintenance. The Northfax Gateway and CUE Buses projects are funded through state grants. The remaining projects are funded via the General Fund.

Project	Fund Source	Amount
Brick Sidewalk Maintenance	General	\$90,000
Curb, Gutter, and Sidewalk Maintenance	General	160,000
Street Repaving Program	General	800,000
Downtown Crosswalk Rehabilitation	General	20,000
Route 29 Spot Improvements	Grant	350,000
Northfax Gateway - Highway & Sewer	Grant	741,000
Chain Bridge Road – Bridge Replacement	Grant	200,000
Street Lights	General	25,000
Video Detector Systems	General	30,000
Refurbish Existing Traffic Signals	General	35,000
Total		\$2,451,000

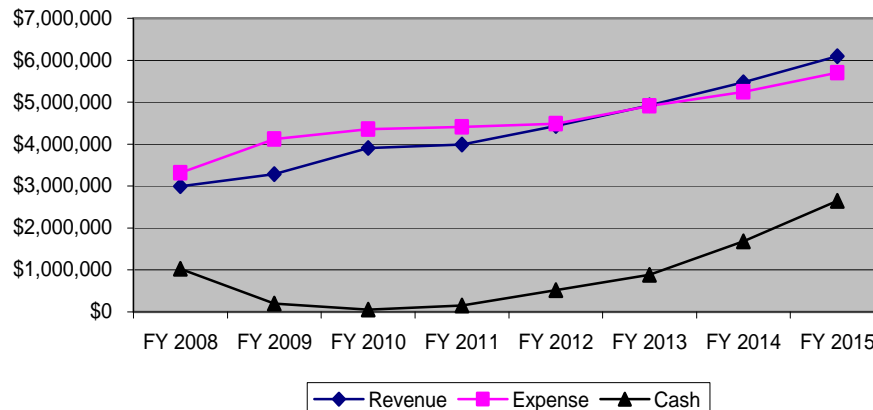
Sewer Fund

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Revenues	\$4,075,046	\$3,561,510	\$3,286,413	\$3,909,227
Expenditures	\$3,311,661	\$3,751,352	\$4,118,970	\$4,363,001
Rate Increase	3%	7%	7%	10%

For FY 2010, a 10% rate increase was adopted for the Sewer Fund in order to keep pace with future operating and capital costs. In FY 2009, the City was notified of planned cost increases related to the city's cost sharing agreement with Fairfax County for the treatment of the city's wastewater. The wastewater generated by the City is treated at the county's Noman M. Cole Pollution Control Plant. This plant is subjected to continuing stringent environmental standards and therefore, process upgrades are essential. Additionally, there are general capital upgrade costs, unrelated to treatment techniques that must be addressed. The City's portion of these upgrades is to be approximately \$22 million. It should be noted that the County is seeking ARRA funding for this project and those funds may favorably impact the city's portion of the cost. The City is working with the County to establish a debt amortization schedule that is acceptable to both jurisdictions. Additionally, the City will continue to analyze the sewer rates to determine the funding needed to finance these costs. Future rate increases to enable repayment of the debt for the wastewater treatment plant upgrades and modifications will be significant. Establishment of a future rate increase schedule is being prepared.

Apart from the financial requirements of the wastewater treatment system, in FY 2009 the City of Fairfax undertook an analysis of the wastewater collection system. Numerous infrastructure recommendations were made by the city's consulting engineers and financial advisors which resulted in the preparation of a multiyear capital financing plan. For FY 2010, approximately \$1.18 million was borrowed for sewer capital projects. By the end of FY 2009, approximately \$860,000 will be spent on sewer relining, manhole rehabilitation, sewer metering vault upgrades, and vehicle purchases. FY 2010 will require \$320,000 for continued sewer maintenance.

Sewer Fund - Financial Forecast



Water Fund

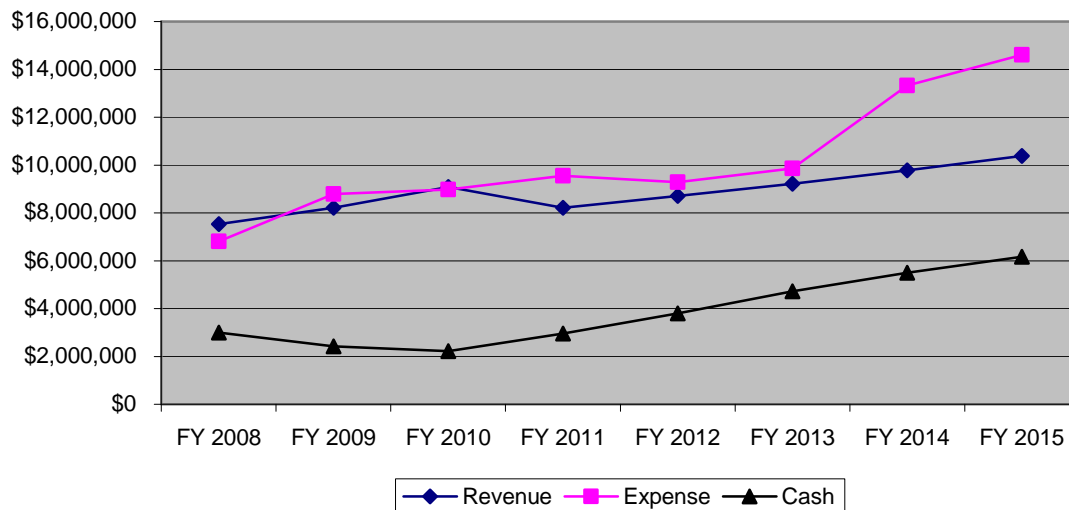
	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Revenues	\$7,526,494	\$7,294,064	\$8,213,903	\$9,078,513
Expenditures	\$8,742,001	\$7,227,378	\$8,784,598	\$9,020,774
Rate Increase	3%	7%	7%	10%

Water infrastructure rehabilitation and development is crucial to maintaining the City's water distribution system. There are limited revenues from new connections and from anticipated growth as the City is primarily developed residentially and commercially. The aging distribution system requires much maintenance and diligence to ensure a safe quality of water. The city continues to make significant investments in the water treatment and distribution system according to its capital plan developed in conjunction with its consulting civil engineers. For FY 2010, a 10% rate increase was approved. Consistent with capital planning discussions held with City Council in 2009, there will continue to be scheduled rate increases each year for the foreseeable future in order to finance the continuing escalating costs associated with water treatment and distribution. In addition to the water distribution system, the City must maintain an aging water treatment plant that is continually subjected to stringent regulatory conditions and deteriorating infrastructure. Chemical costs for water treatment have also increased dramatically over the past year. The City is evaluating different treatment options to attempt to lower these costs in upcoming fiscal years.

Similar to the Sewer Fund, financing was obtained in FY 2009 to address the infrastructure needs of the City. In FY 2009 approximately \$3.1 million was financed for the Water fund. In FY 2009 approximately \$1.1 million was spent on waterline replacement, \$153,000 on tank maintenance, \$100,000 for vehicle replacement, and \$300,000 for water treatment plant equipment upgrades. For FY 2010, the remaining portion of the financing will be used for utility engineering, vehicle and equipment replacement, raw water pump station evaluation, tank maintenance, and asphalt patching.

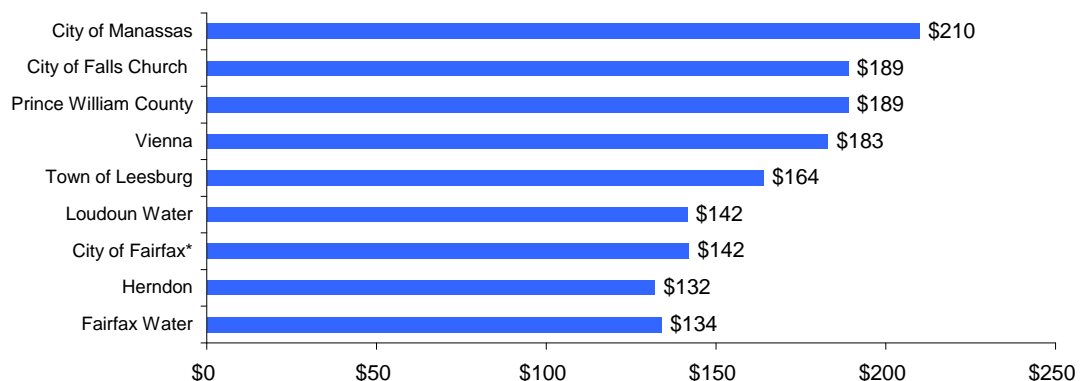
Discussions between the city and its major wholesale water customer, Loudoun Water, have resulted in a redefinition of the ongoing relationship between the two entities. Due to the city's desire to maintain ownership and operation of its Goose Creek Water Treatment Plant, Loudoun Water has advised the city that it will build its own water treatment plant sometime during the next ten years. The likely impact to the City of Fairfax will be reduced revenues to its water system and increased water rates to its customers.

Water Fund - Financial Forecast



Even with recommended rate increases, the City can still retain one of the lowest rates in the region. The following chart provides an illustrative comparison.

Residential Water/Sewer Bill Comparison (for 20,000 gallons per quarter)



Note: The above water systems other than the City of Fairfax also charge a higher rate during summer/peak usage times; the City's water rate remains the same year round. Includes a 7 percent rate increase; rates as shown take into account Adopted rate increases for the above jurisdictions

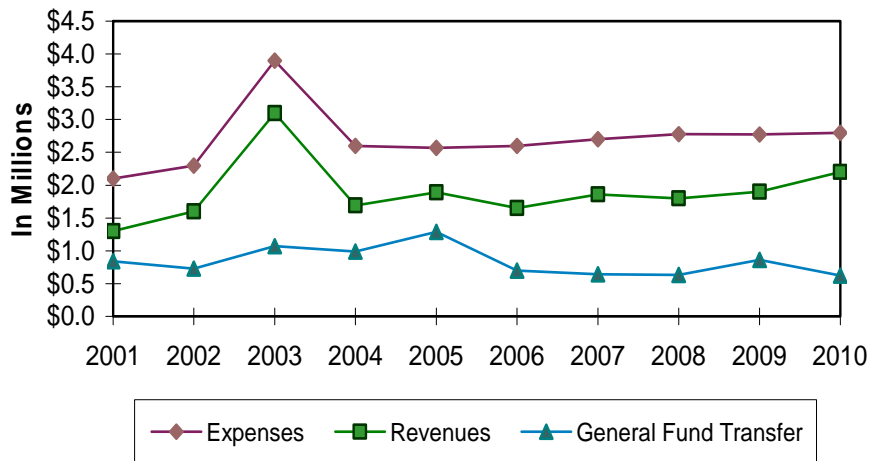
Transit Fund

	FY 2008 Actual	FY 2009 Budget	FY 2009 Estimate	FY 2010 Adopted
Revenues	\$1,800,140	\$1,688,100	\$1,910,271	\$2,220,975
General Fund Support	\$627,814	\$1,276,504	\$855,384	\$620,538
Expenditures	\$2,787,010	\$2,964,604	\$2,765,655	\$2,841,513

The City/University/Energysaver (CUE) bus system provides an alternative transportation mode for City and area residents and George Mason University (GMU) students throughout the City and from GMU and Metro. The City has operated the CUE system since 1985 and provides 12 buses on a fixed route system traveling 441,430 vehicle miles during 30,215 hours of operation each year. CUE and GMU, and the Fairfax Area Chamber of Commerce published and distributed 50,000 copies of the OnCUE Business Directory. The directory is available online at www.OnCUEonline.org.

The basic fare is \$1.35 and a discounted fare of \$1.25 with the use of a Smartrip card, which is the result of a 60 cent increase approved by the City Council on November 25, 2008, effective January 1, 2009. A fare of 75 cents is charged to elementary and intermediate students. Similarly a fare of 75 cents is charged high school students, seniors and persons with disabilities with a valid ID. GMU students, faculty and staff ride for free, however the City receives compensation from GMU for its riders.

**Transit Fund Revenues, Expenditures,
and General Fund Transfer
FY 2001 to FY 2010**



Acknowledgements

The budget is the product of an intensive effort by staff in all City departments. In particular I want to express my appreciation to David Hodgkins, Assistant City Manager / Director of Finance, and Joseph LaHait, Budget Officer, who have principal responsibility for the preparation of this document. Others who contributed significantly to the preparation and printing include Delores Kidwell, Susan Wiczalkowski, Shelby Eakle, Joe Cotellessa and Joanna Ormesher. Additional thanks go to each of the Department Directors, Constitutional Officers and every employee who participated in finalizing materials for City Council's deliberation.

Budget Information Request

Copies of the FY 2010 Adopted Budget and FY 2010-2014 Capital Improvement Program (CIP) are available as follows:

Office of Finance
City Hall
10455 Armstrong Street, Room 312
Fairfax, VA 22310
Phone: 703-385-7870
E-mail: jlahait@fairfaxva.gov
City website: <http://www.fairfaxva.gov/budget/budget.asp>

Contact Information for Elected Officials

Mayor (2008-10)
Robert F. Lederer
703-591-8217
rlederer@fairfaxva.gov

Council members (2008-10)

Joan W. Cross
703-273-2930
jcross@fairfaxva.gov

Daniel F. Drummond
703-268-0541
ddrummond@fairfaxva.gov

Jeffrey C. Greenfield
703-591-2714
jgreenfield@fairfaxva.gov

David L. Meyer
703-691-8852
dmeyer@fairfaxva.gov

Gary J. Rasmussen
703-385-2991
grasmussen@fairfaxva.gov

Steven C. Stombres
703-279-5187
sstombres@fairfaxva.gov